

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name City of Allegan	County Allegan
Audit Date 6/30/04	Opinion Date 9/28/04	Date Accountant Report Submitted to State: 12/23/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Siegfried Crandall PC			
Street Address 246 East Kilgore Road		City Kalamazoo	State MI
		ZIP 49002-5599	
Accountant Signature 			Date 12/23/04

City of Allegan
Allegan County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended June 30, 2004

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INDEPENDENT AUDITORS' REPORT

**City Council
City of Allegan, Michigan**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely-presented component units, each major fund, and the aggregate remaining fund information of the City of Allegan, Michigan, as of June 30, 2004, and for the year then ended, which collectively comprise the City of Allegan, Michigan's financial statements, as listed in the contents. These financial statements are the responsibility of the City of Allegan, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely-presented component units, each major fund, and the aggregate remaining fund information of the City of Allegan, Michigan, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 16, the City of Allegan, Michigan has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of July 1, 2003.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2004, on our consideration of the City of Allegan, Michigan's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis, budgetary comparison schedules, and the schedule of funding progress of the employee retirement system, as listed in the contents, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Allegan, Michigan's basic financial statements. The supplementary information and supplementary data, as listed in the contents, are presented for the purpose of additional analysis and are not required parts of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information designated as "Securities and Exchange Commission Rule 15c2-12 Continuing Disclosure" in the contents is also presented for the purpose of additional analysis and is not a required part of the basic financial statements of the City of Allegan, Michigan. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion thereon.

Siegfried Crandall P.C.

September 28, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Allegan's (the City) financial performance provides a narrative overview of the City's financial activities for the fiscal year ended June 30, 2004. Please read it in conjunction with the City's financial statements.

Financial Highlights

- The City's total net assets increased by \$318,650 (2 percent) as a result of this year's activities. Net assets of the governmental activities increased by \$395,523, whereas net assets of the business-type activities decreased by \$76,873.
- Of the \$19,142,820 total net assets reported, \$2,307,976 (12 percent) is unrestricted, or available to be used at the Council's discretion.
- The General Fund's unreserved, undesignated fund balance at the end of the fiscal year was \$916,919 which represents 25 percent of the actual total General Fund expenditures for the current fiscal year.

Overview of the Financial Statements

The City's basic financial statements are comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents combining statements for nonmajor governmental funds and internal service funds as well as additional information. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City, reporting the City's operations in more detail than the government-wide financial statements.
 - Governmental fund statements tell how general government services, like public safety, were financed in the short-term as well as what remains for future spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities the government operates like a business, such as the sewer and water systems.
 - Fiduciary fund statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Because this is the first year of this reporting format, a comparative analysis of the basic financial statements was not practicable. Comparative analyses of the basic financial statements will be made in subsequent years.

Government-wide Financial Statements

The government-wide financial statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the City's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net assets (the difference between the City's assets and liabilities) is one way to measure the City's financial health, or position.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, you need to consider additional nonfinancial factors such as changes in the City's property tax base and the condition of the City's capital assets.

The government-wide financial statements are divided into three categories:

- *Governmental activities* - Most of the City's basic services are included here, such as the police, fire, library, and general government. Property taxes and state grants finance most of these activities.
- *Business-type activities* - The City charges fees to customers to help it cover the costs of certain services it provides. The City's sewer and water systems are reported here.
- *Component units* - The City includes two other entities in its report - the Downtown Development Authority and the Brownfield Development Authority. Although legally separate, these "component units" are important because the City is financially accountable for them.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds - not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by bond agreements.
- The City Council establishes other funds to control and manage money for particular purposes (like Wellness Center and Theatre operations) or to show that it is properly using certain taxes and other revenues (like property taxes collected for the Library and state grants collected for the street funds).

The City has three kinds of funds:

1. *Governmental funds*. Most of the City's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flow in and out and, (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship between them.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

2. *Proprietary funds.* Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-and short-term financial information.

- In fact, the City's enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
- The City uses internal service funds (the other type of proprietary fund) to report activities that provide services for the City's other programs and activities. The City's internal service funds consist of an Equipment Fund and an Insurance Fund.

3. *Fiduciary funds.* These funds are used to account for the collection and disbursement of resources, primarily taxes, for the benefit of parties outside the government. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The City's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

Financial Analysis of the Government as a Whole

Net Assets

Total net assets at the end of the fiscal year were \$19,142,820, an increase of 2 percent compared to the prior year. Of this total, \$6,130,492 is invested in capital assets and \$10,704,352 is restricted for various purposes. Consequently, unrestricted net assets were \$2,307,976, or 12 percent of the total.

*Condensed financial information
Net Assets*

	<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Totals</i>
Current assets	\$ 2,381,568	\$ 1,019,487	\$ 3,401,055
Noncurrent assets	<u>12,855,400</u>	<u>15,096,925</u>	<u>27,952,325</u>
Total assets	<u>15,236,968</u>	<u>16,116,412</u>	<u>31,353,380</u>
Current liabilities	575,341	401,289	976,630
Noncurrent liabilities	<u>5,218,930</u>	<u>6,015,000</u>	<u>11,233,930</u>
Total liabilities	<u>5,794,271</u>	<u>6,416,289</u>	<u>12,210,560</u>
Net assets			
Invested in capital assets, net of related debt	2,641,026	3,489,466	6,130,492
Restricted	5,441,993	5,262,359	10,704,352
Unrestricted	<u>1,359,678</u>	<u>948,298</u>	<u>2,307,976</u>
Total net assets	<u>\$ 9,442,697</u>	<u>\$ 9,700,123</u>	<u>\$19,142,820</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Changes in net assets

The City's total revenues are \$6,867,506. Nearly 40 percent of the City's revenues come from property taxes and another 37 percent come from charges for services.

The total cost of all the City's programs, covering a wide range of services, totaled \$6,548,856. More than 40 percent of the City's costs relate to the provision of utility services. Public safety costs account for 22 percent of the costs and recreation and cultural costs account for 17 percent of the City's total costs.

*Condensed financial information
Changes in Net Assets*

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
Program revenues			
Charges for services	\$ 585,706	\$1,914,863	\$2,500,569
Operating grants and contributions	690,245	-	690,245
Capital grants and contributions	329,260	-	329,260
General revenues			
Property taxes	2,606,650	-	2,606,650
State grants	540,433	-	540,433
Unrestricted investment earnings	70,751	913	71,664
Other	103,685	-	103,685
Transfer from component unit	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Total revenues	<u>4,951,730</u>	<u>1,915,776</u>	<u>6,867,506</u>
Expenses			
Legislative	12,141	-	12,141
General government	923,140	-	923,140
Public safety	1,455,702	-	1,455,702
Public works	799,495	-	799,495
Community and economic development	75,011	-	75,011
Recreation and cultural	1,133,223	-	1,133,223
Interest	157,495	-	157,495
Sewer	-	1,038,784	1,038,784
Water	<u>-</u>	<u>953,865</u>	<u>953,865</u>
Total expenses	<u>4,556,207</u>	<u>1,992,649</u>	<u>6,548,856</u>
Increase (decrease) in net assets	<u>\$ 395,523</u>	<u>\$ (76,873)</u>	<u>\$ 318,650</u>

Governmental activities

Governmental activities increased the City's net assets by \$395,523. Key factors for this increase include:

- Spending was reduced to attain a fund balance in the General Fund which represents 25% of anticipated expenditures.
- Certain project completions were carried over into the next fiscal year.

The cost of all governmental activities this year was \$4,556,207. After subtracting the direct charges to those who directly benefited from the programs (\$585,706), and operating and capital grants (\$1,019,505), the "public benefit" portion covered by taxes, state revenue sharing and other general revenues was \$2,950,996.

Business-type activities

Business-type activities decreased the City's net assets by \$76,873. The Sewer Fund generated a net decrease of \$123,881 because the rates are not currently set to fully cover the cost of depreciation of the wastewater treatment infrastructure. The net assets of the Water Fund increased by \$30,871.

Financial Analysis of the City's Funds

Governmental funds

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,741,833, an increase of \$1,777,506 in comparison with the prior year. Virtually all of this increase is accounted for by the issuance of capital improvement bonds, in the amount of \$1,725,000, near the end of the year. Of the total fund balances, 28 percent constitutes unreserved fund balance, which is available for spending at the City's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed (1) for capital projects in the next year (\$1,661,369), (2) for future capital projects (\$3,000,000) (3) to generate income to pay for the perpetual care of the municipal cemetery (\$176,171) or (4) for other restricted purposes (\$24,490).

The General Fund is the chief operating fund of the City. At the end of the fiscal year, unreserved fund balance was \$916,919, which represents 25 percent of the actual total General Fund expenditures for the current fiscal year. Total fund balance increased by \$311,231 during the fiscal year primarily due to delayed project completions and spending reductions to attain a fund balance that represents 25% of actual expenditures. This goal had been established to prepare for unexpected expenditures and unanticipated revenue reductions.

The Capital Projects fund experienced an increase in fund balance of \$1,653,199. The increase was created through the issuance of bonds near the end of the year. Practically all of the available resources of this fund will be spent in the subsequent year to improve the City's streets.

Capital Asset Improvement Sinking Fund experienced a decrease in fund balance in the amount of \$300,499 due to a major land acquisition that will support future development.

Proprietary funds

The Sewer Fund experienced an operating loss of \$112,781. Net assets are \$6,606,550 at year-end.

The Water Fund generated operating income of \$107,501. Net assets are \$3,077,436 at year end.

General Fund Budgetary Highlights

The difference between the original budget and the final amended budget for expenditures was an increase of \$382,098 primarily due to an expected increase in capital outlay expenditures. Expenditures were \$298,470 less than budgeted because capital spending was funded through other funding sources.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2004, amounts to \$17,858,389 (net of accumulated depreciation). This investment includes a broad range of assets including police and fire equipment, buildings, and sewer and water facilities. The increase in the City's net investment in capital assets for the current fiscal year was \$308,121.

Major capital asset events during the current fiscal year included the following:

- Acquisition of land on Brady Street for \$196,210.
- Land improvements at the airport totaling \$184,917.
- Construction of a hangar at the airport totaling \$360,000.
- Purchase of a police car for \$26,184.

There were no significant additions to the capital assets of the Sewer or Water funds.

More detailed information about the City's capital assets is presented in Note 5 of the notes to the basic financial statements.

Long-Term Debt

At the end of the fiscal year, the City had total long-term bonds and loans outstanding in the amount of \$11,868,418 which represents an increase of \$6,854,063 or 137 percent. Of this amount, \$10,424,423 comprises debt backed by the full faith and credit of the City. Another \$1,443,995 represents bonds secured solely by specific revenue sources (i.e., revenue bonds).

During the year ended June 30, 2004, the City increased its long-term debt through the issuance of two separate bonds:

- A capital improvement bond in the amount of \$7.2 million was issued for infrastructure improvements.
- A USDA loan, in the amount of \$360,000, was obtained to finance the construction of airport hangars.

State statutes limit the amount of general obligation debt the City can issue to 10 percent of its total state equalized assessed value of property. The City's total general obligation debt (\$10,424,423) is significantly lower than the current state-imposed limit of \$19,993,950.

Other long-term debt obligations totaling \$140,521 represent accrued compensated absences.

More detailed information about the City's long-term liabilities is presented in Note 7 of the notes to the basic financial statements.

Economic Condition and Outlook

The City's General Fund budget for the next year projects no increase in spending. A stagnant economy and no substantial revenue increase require that the City hold the line on conservative expenditure trends.

The City's enterprise operations will benefit from the issuance of the capital improvement bonds that will be used to upgrade the City's aging utility infrastructure. Rates are currently tied to bonding requirements. After completion of the planned infrastructure improvements, the City intends to further review enterprise operations and facilities to determine the need for future improvements and the cost of replacement.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Tracie Moored, Treasurer/Finance Director
City of Allegan
112 Locust Street
Allegan, MI 49010-1390

Phone: (269) 673-5511
E-mail: TMoored@cityofallegan.org

BASIC FINANCIAL STATEMENTS

City of Allegan
STATEMENT OF NET ASSETS
June 30, 2004

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Totals	Downtown Development Authority	Brownfield Development Authority
ASSETS					
Current assets:					
Cash	\$ 705,778	\$ 383,385	\$ 1,089,163	\$ 12,036	\$ 17,482
Investments	1,497,130	97,977	1,595,107	393,628	-
Receivables (net)	341,773	333,813	675,586	-	-
Internal balances	(204,312)	204,312	-	-	-
Prepaid expenses	41,199	-	41,199	-	-
<i>Total current assets</i>	<u>2,381,568</u>	<u>1,019,487</u>	<u>3,401,055</u>	<u>405,664</u>	<u>17,482</u>
Noncurrent assets:					
Restricted cash	1,731,328	5,262,359	6,993,687	295,600	-
Restricted investments	3,000,000	-	3,000,000	-	-
Unamortized bond issuance costs	25,149	75,100	100,249	-	-
Capital assets (net of depreciation)	8,098,923	9,759,466	17,858,389	-	-
<i>Total noncurrent assets</i>	<u>12,855,400</u>	<u>15,096,925</u>	<u>27,952,325</u>	<u>295,600</u>	<u>-</u>
<i>Total assets</i>	<u>15,236,968</u>	<u>16,116,412</u>	<u>31,353,380</u>	<u>701,264</u>	<u>17,482</u>
LIABILITIES					
Current liabilities:					
Accounts payable	127,824	51,362	179,186	5,385	-
Accrued expenses	67,534	81,847	149,381	-	-
Customer deposits	495	13,080	13,575	-	-
Bonds and loans payable	379,488	255,000	634,488	15,000	-
<i>Total current liabilities</i>	<u>575,341</u>	<u>401,289</u>	<u>976,630</u>	<u>20,385</u>	<u>-</u>
Noncurrent liabilities:					
Compensated absences	140,521	-	140,521	-	-
Bonds and loans payable	5,078,409	6,015,000	11,093,409	285,000	-
<i>Total noncurrent liabilities</i>	<u>5,218,930</u>	<u>6,015,000</u>	<u>11,233,930</u>	<u>285,000</u>	<u>-</u>
<i>Total liabilities</i>	<u>5,794,271</u>	<u>6,416,289</u>	<u>12,210,560</u>	<u>305,385</u>	<u>-</u>
NET ASSETS					
Invested in capital assets, net of related debt	2,641,026	3,489,466	6,130,492	-	-
Restricted for:					
Capital projects	4,661,369	5,099,900	9,761,269	-	-
Street repairs and improvements	246,195	-	246,195	-	-
Economic development	101,620	-	101,620	-	-
Culture and recreation	256,638	-	256,638	-	-
Debt service	-	162,459	162,459	-	-
Perpetual care	176,171	-	176,171	-	-
Unrestricted	1,359,678	948,298	2,307,976	395,879	17,482
<i>Total net assets</i>	<u>\$ 9,442,697</u>	<u>\$ 9,700,123</u>	<u>\$ 19,142,820</u>	<u>\$ 395,879</u>	<u>\$ 17,482</u>

See notes to the financial statements

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City of Allegan
STATEMENT OF ACTIVITIES
Year ended June 30, 2004

Functions /Programs	Program Revenues			
	<u>Expenses</u>	<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>
Primary government:				
<i>Governmental activities:</i>				
Legislative	\$ 12,141	\$ -	\$ -	\$ -
General government	923,140	54,897	6,574	13,000
Public safety	1,455,702	150,607	14,897	-
Public works	799,495	75,998	527,577	304,660
Community and economic development	75,011	-	-	-
Culture and recreation	1,133,223	304,204	141,197	11,600
Interest on long-term debt	157,495	-	-	-
<i>Total governmental activities</i>	<u>4,556,207</u>	<u>585,706</u>	<u>690,245</u>	<u>329,260</u>
<i>Business-type activities:</i>				
Sewer	1,038,784	922,972	-	-
Water	953,865	991,891	-	-
<i>Total business-type activities</i>	<u>1,992,649</u>	<u>1,914,863</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 6,548,856</u>	<u>\$ 2,500,569</u>	<u>\$ 690,245</u>	<u>\$ 329,260</u>
Component units:				
Downtown Development Authority	128,094	2,213	22,361	-
Brownfield Development Authority	-	-	-	-
Total component units	<u>\$ 128,094</u>	<u>\$ 2,213</u>	<u>\$ 22,361</u>	<u>\$ -</u>

General revenues:

Property taxes
State shared revenue
Franchise fees
Unrestricted investment return
Miscellaneous

Transfer

Total general revenues and transfers

Change in net assets

Net assets - beginning of year

Net assets - end of year

<i>Net (expense) revenues and changes in net assets</i>				
<i>Primary government</i>			<i>Component units</i>	
<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Totals</i>	<i>Downtown Development Authority</i>	<i>Brownfield Development Authority</i>
\$ (12,141)		\$ (12,141)		
(848,669)		(848,669)		
(1,290,198)		(1,290,198)		
108,740		108,740		
(75,011)		(75,011)		
(676,222)		(676,222)		
<u>(157,495)</u>		<u>(157,495)</u>		
<u>(2,950,996)</u>		<u>(2,950,996)</u>		
-	\$ (115,812)	(115,812)		
<u>-</u>	<u>38,026</u>	<u>38,026</u>		
-	(77,786)	(77,786)		
<u>(2,950,996)</u>	<u>(77,786)</u>	<u>(3,028,782)</u>		
			\$ (103,520)	\$ -
			<u>-</u>	<u>-</u>
			<u>(103,520)</u>	<u>-</u>
2,606,650	-	2,606,650	141,858	8,071
540,433	-	540,433	-	-
48,295	-	48,295	-	-
70,751	913	71,664	-	22
55,390	-	55,390	-	-
25,000	-	25,000	(25,000)	-
<u>3,346,519</u>	<u>913</u>	<u>3,347,432</u>	<u>116,858</u>	<u>8,093</u>
395,523	(76,873)	318,650	13,338	8,093
<u>9,047,174</u>	<u>9,776,996</u>	<u>18,824,170</u>	<u>382,541</u>	<u>9,389</u>
<u>\$ 9,442,697</u>	<u>\$ 9,700,123</u>	<u>\$ 19,142,820</u>	<u>\$ 395,879</u>	<u>\$ 17,482</u>

See notes to the financial statements

City of Allegan
BALANCE SHEET - Governmental Funds
June 30, 2004

	<u>General</u>	<u>Capital Projects</u>	<u>Capital asset Improvement Sinking</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
ASSETS					
Cash	\$ 107,439	\$ 1,761,720	\$ 94,932	\$ 466,051	\$ 2,430,142
Investments	816,560	-	3,210,104	262,863	4,289,527
Receivables	63,890	16,200	-	10,435	90,525
Due from other funds	65,506	-	-	123,346	188,852
Due from other governmental units	174,933	-	-	76,315	251,248
<i>Total assets</i>	<u>\$ 1,228,328</u>	<u>\$ 1,777,920</u>	<u>\$ 3,305,036</u>	<u>\$ 939,010</u>	<u>\$ 7,250,294</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 80,513	\$ 33,737	\$ -	\$ 13,379	\$ 127,629
Accrued liabilities	9,808	-	-	2,724	12,532
Due to other funds	220,593	-	131,012	-	351,605
Customer deposits	495	-	-	-	495
Deferred revenue	-	16,200	-	-	16,200
<i>Total liabilities</i>	<u>311,409</u>	<u>49,937</u>	<u>131,012</u>	<u>16,103</u>	<u>508,461</u>
Fund balances:					
Reserved:					
Capital projects	-	1,661,369	3,000,000	-	4,661,369
Perpetual care	-	-	-	176,171	176,171
Other	-	-	-	24,490	24,490
Unreserved:					
Designated	-	-	-	64,063	64,063
Undesignated	916,919	66,614	174,024	658,183	1,815,740
<i>Total fund balances</i>	<u>916,919</u>	<u>1,727,983</u>	<u>3,174,024</u>	<u>922,907</u>	<u>6,741,833</u>
<i>Total liabilities and fund balances</i>	<u>\$ 1,228,328</u>	<u>\$ 1,777,920</u>	<u>\$ 3,305,036</u>	<u>\$ 939,010</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	7,440,355
Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds.	25,149
Internal service funds are used by management to charge the costs of fleet management and various insurances to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	867,678
Deferred revenue that was earned in current period is reported in the statement of net assets.	16,200
Compensated absences are not due and payable in the current period and are not reported in the funds.	(140,521)
Bonds payable are not due and payable in the current period and are not reported in the funds.	(5,457,897)
Interest related to long-term debt is not due and payable in the current period and is not reported in the funds.	(50,100)
Net assets of governmental activities	<u>\$ 9,442,697</u>

See notes to the financial statements

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - Governmental Funds

Year ended June 30, 2004

	<u>General</u>	<u>Capital Projects</u>	<u>Capital Asset Improvement Sinking</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
REVENUES					
Property taxes	\$ 2,406,867	\$ -	\$ -	\$ 199,783	\$ 2,606,650
Licenses and permits	34,110	-	-	-	34,110
Federal grants	231,503	167,351	-	-	398,854
State grants	563,977	64,791	-	380,770	1,009,538
Contributions from local units	70,229	-	-	127,700	197,929
Charges for services	63,237	-	-	139,205	202,442
Fines and forfeitures	37,417	-	-	115,363	152,780
Investment return and rentals	140,817	477	30,677	9,781	181,752
Other	109,413	8,500	-	157,952	275,865
<i>Total revenues</i>	<u>3,657,570</u>	<u>241,119</u>	<u>30,677</u>	<u>1,130,554</u>	<u>5,059,920</u>
EXPENDITURES					
Legislative	12,141	-	-	-	12,141
General government	875,132	-	-	17,371	892,503
Public safety	1,387,189	-	-	-	1,387,189
Public works	111,183	186,645	-	408,028	705,856
Community and economic development	75,011	-	-	-	75,011
Culture and recreational	360,480	-	-	678,990	1,039,470
Capital outlay	812,908	-	-	22,056	834,964
Debt service:					
Principal	55,728	217,208	-	-	272,936
Interest	33,277	113,918	-	-	147,195
<i>Total expenditures</i>	<u>3,723,049</u>	<u>517,771</u>	<u>-</u>	<u>1,126,445</u>	<u>5,367,265</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(65,479)</u>	<u>(276,652)</u>	<u>30,677</u>	<u>4,109</u>	<u>(307,345)</u>
OTHER FINANCING SOURCES (USES)					
Issuance of debt	360,000	1,725,000	-	-	2,085,000
Debt issuance costs	-	(25,149)	-	-	(25,149)
Transfer in - Component unit	25,000	-	-	-	25,000
Transfers in - Other funds	312,642	230,000	-	156,438	699,080
Transfers out - Other funds	(320,932)	-	(331,176)	(46,972)	(699,080)
<i>Total other financing sources (uses)</i>	<u>376,710</u>	<u>1,929,851</u>	<u>(331,176)</u>	<u>109,466</u>	<u>2,084,851</u>
NET CHANGE IN FUND BALANCES	<u>311,231</u>	<u>1,653,199</u>	<u>(300,499)</u>	<u>113,575</u>	<u>1,777,506</u>
FUND BALANCES - BEGINNING OF YEAR	<u>605,688</u>	<u>74,784</u>	<u>3,474,523</u>	<u>809,332</u>	<u>4,964,327</u>
FUND BALANCES - END OF YEAR	<u>\$ 916,919</u>	<u>\$ 1,727,983</u>	<u>\$ 3,174,024</u>	<u>\$ 922,907</u>	<u>\$ 6,741,833</u>
Net change in fund balances - total governmental funds					\$ 1,777,506
<i>Amounts reported for governmental activities in the statement of activities are different because.</i>					
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.					477,830
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.					(137,423)
The issuance of debt provides current financial resources to governmental funds while the repayment of principal on long-term debt consumes the current financial resources of the governmental funds. Neither transaction however, has any effect on net assets. Also, governmental funds report the effect of issuance costs and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.					(1,778,543)
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds.					19,329
The net revenues of certain activities of the internal service funds is reported with governmental activities.					36,824
Change in net assets of governmental activities					<u>\$ 395,523</u>

City of Allegan
STATEMENT OF NET ASSETS - Proprietary Funds
June 30, 2004

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities</u>
	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>	<u>Internal Service</u>
ASSETS				
Current assets:				
Cash	\$ 166,290	\$ 217,095	\$ 383,385	\$ 6,962
Investments	97,977	-	97,977	207,605
Accounts receivable	154,858	178,955	333,813	-
Due from other funds	188,175	-	188,175	-
Prepays	-	-	-	41,199
<i>Total current assets</i>	<u>607,300</u>	<u>396,050</u>	<u>1,003,350</u>	<u>255,766</u>
Noncurrent assets:				
Restricted cash	1,990,700	3,271,659	5,262,359	-
Unamortized bond issuance costs	29,300	45,800	75,100	-
Capital asset (net of depreciation)	<u>6,044,019</u>	<u>3,715,447</u>	<u>9,759,466</u>	<u>658,568</u>
<i>Total noncurrent assets</i>	<u>8,064,019</u>	<u>7,032,906</u>	<u>15,096,925</u>	<u>658,568</u>
<i>Total assets</i>	<u>8,671,319</u>	<u>7,428,956</u>	<u>16,100,275</u>	<u>914,334</u>
LIABILITIES				
Current liabilities:				
Accounts payable	18,551	32,811	51,362	195
Accrued expenses	26,218	55,629	81,847	4,902
Due to other funds	-	-	-	25,422
Customer deposits	-	13,080	13,080	-
Bonds payable - current	<u>60,000</u>	<u>195,000</u>	<u>255,000</u>	<u>-</u>
<i>Total current liabilities</i>	<u>104,769</u>	<u>296,520</u>	<u>401,289</u>	<u>30,519</u>
Noncurrent liabilities:				
Bonds payable	<u>1,960,000</u>	<u>4,055,000</u>	<u>6,015,000</u>	<u>-</u>
<i>Total liabilities</i>	<u>2,064,769</u>	<u>4,351,520</u>	<u>6,416,289</u>	<u>30,519</u>
NET ASSETS				
Investment in capital assets, net of related debt	6,044,019	2,620,447	8,664,466	658,568
Restricted for debt service	-	162,459	162,459	-
Unrestricted (deficit)	<u>562,531</u>	<u>294,530</u>	<u>857,061</u>	<u>225,247</u>
<i>Total net assets</i>	<u>\$ 6,606,550</u>	<u>\$ 3,077,436</u>	<u>9,683,986</u>	<u>\$ 883,815</u>
Adjustment to reflect the consolidation of internal service func activities related to enterprise funds.			<u>16,137</u>	
Net assets of business-type activities			<u>\$ 9,700,123</u>	

See notes to the financial statements

City of Allegan

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS - Proprietary Funds

Year ended June 30, 2004

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental Activities</u>
	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>	<u>Internal Service</u>
OPERATING REVENUES				
Charges for services	\$ 898,189	\$ 959,915	\$ 1,858,104	\$ 1,047,287
Other	24,783	31,976	56,759	-
<i>Total operating revenues</i>	<u>922,972</u>	<u>991,891</u>	<u>1,914,863</u>	<u>1,047,287</u>
OPERATING EXPENSES				
Administration	93,500	93,500	187,000	-
Plant	535,033	494,036	1,029,069	-
Wastewater collection	183,189	-	183,189	-
Water distribution	-	151,223	151,223	-
Meter reading	15,116	17,233	32,349	-
Depreciation	208,915	128,398	337,313	85,513
Costs of interfund services	-	-	-	904,674
<i>Total operating expenses</i>	<u>1,035,753</u>	<u>884,390</u>	<u>1,920,143</u>	<u>990,187</u>
OPERATING INCOME (LOSS)	<u>(112,781)</u>	<u>107,501</u>	<u>(5,280)</u>	<u>57,100</u>
NONOPERATING REVENUES (EXPENSES)				
Investment return	-	913	913	215
Loss on sale of fixed assets	-	-	-	(4,354)
Interest expense	(11,100)	(77,543)	(88,643)	-
<i>Total nonoperating revenues (expenses)</i>	<u>(11,100)</u>	<u>(76,630)</u>	<u>(87,730)</u>	<u>(4,139)</u>
CHANGE IN NET ASSETS	(123,881)	30,871	(93,010)	52,961
TOTAL NET ASSETS - BEGINNING OF YEAR	<u>6,730,431</u>	<u>3,046,565</u>		<u>830,854</u>
TOTAL NET ASSETS - END OF YEAR	<u>\$ 6,606,550</u>	<u>\$ 3,077,436</u>		<u>\$ 883,815</u>
<i>Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.</i>			<u>16,137</u>	
Change in net assets of business-type activities			<u>\$ (76,873)</u>	

See notes to the financial statements

City of Allegan
STATEMENT OF CASH FLOWS - Proprietary Funds
For the year ended June 30, 2004

	Business-type Activities - Enterprise Funds			Governmental Activities
	Sewer	Water	Totals	Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 947,908	\$ 1,002,157	\$ 1,950,065	\$ -
Receipts from interfund services provided	-	-	-	1,047,287
Payments to suppliers	(551,760)	(384,129)	(935,889)	(901,556)
Payments to employees	(270,129)	(332,268)	(602,397)	(42,512)
Payments for interfund services used	(26,445)	(22,882)	(49,327)	-
<i>Net cash provided by operating activities</i>	<u>99,574</u>	<u>262,878</u>	<u>362,452</u>	<u>103,219</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Increase in due from other funds	(188,175)	-	(188,175)	-
Increase in due to other funds	-	-	-	25,422
<i>Net cash provided by (used in) noncapital financing activities</i>	<u>(188,175)</u>	<u>-</u>	<u>(188,175)</u>	<u>25,422</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from issuance of capital debt	2,020,000	3,155,000	5,175,000	-
Proceeds from sale of capital assets	-	-	-	5,460
Acquisition of capital assets	(8,605)	(136,228)	(144,833)	(108,284)
Payment of bond issuance costs	(29,300)	(45,800)	(75,100)	-
Principal payments on capital debt	-	(95,000)	(95,000)	-
Interest payments on capital debt	-	(60,743)	(60,743)	-
<i>Net cash provided by (used in) capital and related financing activities</i>	<u>1,982,095</u>	<u>2,817,229</u>	<u>4,799,324</u>	<u>(102,824)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(97,977)	-	(97,977)	(207,605)
Interest received	-	913	913	215
<i>Net cash provided by (used in) investing activities</i>	<u>(97,977)</u>	<u>913</u>	<u>(97,064)</u>	<u>(207,390)</u>
NET INCREASE (DECREASE) IN CASH	1,795,517	3,081,020	4,876,537	(181,573)
CASH - BEGINNING OF THE YEAR (including \$317,909 in restricted accounts)	<u>361,473</u>	<u>407,734</u>	<u>769,207</u>	<u>188,535</u>
CASH - END OF YEAR (including \$5,262,359 in restricted accounts)	<u>\$ 2,156,990</u>	<u>\$ 3,488,754</u>	<u>\$ 5,645,744</u>	<u>\$ 6,962</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (112,781)	\$ 107,501	\$ (5,280)	\$ 57,100
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	208,915	128,398	337,313	85,513
(Increase) decrease in:				
Accounts receivable	24,936	8,501	33,437	-
Prepays	-	-	-	(41,199)
Increase (decrease) in:				
Accounts payable	(18,474)	25,668	7,194	(148)
Accrued liabilities	(3,022)	(8,955)	(11,977)	1,953
Customer deposits	-	1,765	1,765	-
<i>Net cash provided by operating activities</i>	<u>\$ 99,574</u>	<u>\$ 262,878</u>	<u>\$ 362,452</u>	<u>\$ 103,219</u>

See notes to the financial statements

City of Allegan
STATEMENT OF FIDUCIARY NET ASSETS - Agency Fund
June 30, 2004

ASSETS

Cash	\$ 1,332
Taxes receivable	<u>62,272</u>
<i>Total assets</i>	<u><u>\$ 63,604</u></u>

LIABILITIES

Due to other governmental units	<u><u>\$ 63,604</u></u>
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See notes to the financial statements

City of Allegan
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the City of Allegan, Michigan (the City), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the significant accounting policies.

a) Reporting entity:

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Each discretely-presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally from the City.

Discretely-presented component units:

Downtown Development Authority and Brownfield Development Authority:

Each component units' governing body is appointed by the City Council and their budgets must be approved by the City Council. Separate financial statements for the component units have not been issued, as management believes that these financial statements, including disclosures, contain complete information so as to constitute a fair presentation of each component unit.

Hospital Finance Authority:

The Hospital Finance Authority was created to provide a method to enable nonprofit, nonpublic hospitals to provide facilities and services for health care and, to accomplish these purposes, the Authority is authorized to issue bonds. A three-person Commission, appointed by the City Council, governs the Authority that may not issue debt without the approval of the City Council. The Authority has no assets, liabilities, equity, revenue, or expenses; therefore, no separate columns have been included in the financial statements associated with the Authority.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

City of Allegan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*):

b) Government-wide and fund financial statements (continued):

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Capital Asset Improvement Sinking Fund accounts for financial resources to be used to purchase capital additions, improvements, or betterments. Revenues are derived from the investment earnings of a trust fund established in 1967 when the City sold its electric utility facilities.

The Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

City of Allegan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

The City reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the City's sewage collection systems and treatment plant.

The Water Fund accounts for the activities of the City's water distribution system.

Additionally, the City reports internal service funds that account for fleet management services and insurances provided to other departments of the City on a cost-reimbursement basis.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector standards.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits and investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

All investments are reported at fair market value, with changes in value recognized in the operating statement of each fund. Realized and unrealized gains and losses are included in investment income. Pooled investment income is proportionately allocated to all funds.

City of Allegan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*):

d) Assets, liabilities, and net assets or equity (continued):

ii) Receivables - Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the City considers all receivables to be fully collectible.

iii) Prepaid items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

iv) Restricted assets - Certain bond proceeds and resources set aside for their repayment are classified as restricted assets because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

v) Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20 - 40 years
Equipment	3 - 20 years
Vehicles	4 - 20 years
Sewer and Water systems	50 years

vi) Compensated absences - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. A liability for unpaid accumulated vacation and sick leave has been recorded for the portion due to employees upon separation from service with the City. Vested compensated absences are accrued when earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

vii) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

City of Allegan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the City's general and special revenue funds. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the governing body is the activity level. All annual appropriations lapse at the end of the fiscal year.

NOTE 3 - CASH AND INVESTMENTS:

The City's cash, as presented in the government-wide statement of net assets, is as follows:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Fiduciary</u>	<u>Total Primary Government</u>	<u>Component Units</u>
Deposits	\$ 705,778	\$ 383,385	\$1,332	\$1,090,495	\$ 29,518
Restricted assets	<u>1,731,328</u>	<u>5,262,359</u>	<u>-</u>	<u>6,993,687</u>	<u>295,600</u>
Total cash	<u>\$2,437,106</u>	<u>\$5,645,744</u>	<u>\$1,332</u>	<u>\$8,084,182</u>	<u>\$325,118</u>

a) Deposits with financial institutions:

Deposits are carried at cost and are maintained at various financial institutions in the name of the City. State statutes and the City's investment policy authorize the City to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The City's deposits are in accordance with statutory authority. At June 30, 2004, the City and its component units have deposits with a carrying amount of \$8,409,300 and a bank balance of \$8,586,774. Of the bank balance, \$627,017 is covered by federal depository insurance and \$7,959,757 is uninsured. The City maintains individual and pooled cash accounts for all of its funds and its component units. Due to use of pooled deposits, it is not practicable to allocate insured and uninsured portions of certain bank balances between the primary government and its component units. The insured portion of the bank balance has been allocated entirely to the primary government.

City of Allegan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH AND INVESTMENTS (Continued):

Investments:

State statutes and the City's investment policy authorize the City to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper, with three (3) highest rate classifications by at least two (2) rating services, maturing not later than 270 days; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; and e) investment pools composed of otherwise legal investments.

The City's investments are categorized as follows to give an indication of the level of risk assumed by the City at year end. Category 1 includes investments that are insured, registered, or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the brokers' or dealers' trust department or agent in the City's name.

	<u>Category</u>		<u>Fair</u>
	<u>1</u>	<u>2</u>	<u>value</u>
Primary government:			
U.S. government securities			
Restricted	\$ -	\$3,000,000	\$3,000,000
Unrestricted	-	1,987,630	1,987,630
Pooled mortgages	-	1,105	1,105
	<u>\$ -</u>	<u>\$4,988,735</u>	<u>\$4,988,735</u>

Investment income:

Investment income of the Capital Asset Improvement Sinking Fund, a special revenue fund, includes a net decrease in the fair value of investments of \$142,211.

NOTE 4 - RECEIVABLES:

At June 30, 2004, the City's receivables for the individual major funds and nonmajor funds, in the aggregate, are as follows:

	<u>General</u>	<u>Sewer</u>	<u>Water</u>	<u>Nonmajor</u>	<u>Totals</u>
Accounts	\$ 63,890	\$154,858	\$178,955	\$ 26,635	\$424,338
Intergovernmental	<u>174,933</u>	<u>-</u>	<u>-</u>	<u>76,315</u>	<u>251,248</u>
Total	<u>\$238,823</u>	<u>\$154,858</u>	<u>\$178,955</u>	<u>\$102,950</u>	<u>\$675,586</u>

All receivables are due within one year and are considered fully collectible.

City of Allegan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2004 was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
<i>Governmental activities:</i>				
Capital assets not being depreciated - land	\$ <u>735,500</u>	\$ <u>196,210</u>	\$ <u>-</u>	\$ <u>931,710</u>
Capital assets being depreciated:				
Land improvements	4,519,326	190,047	-	4,709,373
Buildings	2,468,597	360,000	-	2,828,597
Furniture, fixtures, equipment, and books	1,543,103	63,194	(104,509)	1,501,788
Vehicles	<u>1,626,842</u>	<u>111,018</u>	<u>(288,361)</u>	<u>1,449,499</u>
Subtotal	<u>10,157,868</u>	<u>724,259</u>	<u>(392,870)</u>	<u>10,489,257</u>
Less accumulated depreciation for:				
Land improvements	(496,607)	(125,997)	-	(622,604)
Buildings	(924,707)	(67,338)	-	(992,045)
Furniture, fixtures, equipment, and books	(801,451)	(131,903)	94,695	(838,659)
Vehicles	<u>(1,062,467)</u>	<u>(94,630)</u>	<u>288,361</u>	<u>(868,736)</u>
Subtotal	<u>(3,285,232)</u>	<u>(419,868)</u>	<u>383,056</u>	<u>(3,322,044)</u>
Net capital assets being depreciated	<u>6,872,636</u>	<u>304,391</u>	<u>(9,814)</u>	<u>7,167,213</u>
Total governmental capital assets, net	\$ <u>7,608,136</u>	\$ <u>500,601</u>	\$ <u>(9,814)</u>	\$ <u>8,098,923</u>
<i>Business-type activities:</i>				
Capital assets not being depreciated - land	\$ <u>40,585</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>40,585</u>
Capital assets being depreciated:				
Sewer system	10,173,681	8,605	-	10,182,286
Water system	<u>5,849,764</u>	<u>136,228</u>	<u>-</u>	<u>5,985,992</u>
Subtotal	<u>16,023,445</u>	<u>144,833</u>	<u>-</u>	<u>16,168,278</u>
Less accumulated depreciation for:				
Sewer system	(3,929,352)	(208,915)	-	(4,138,267)
Water system	<u>(2,182,732)</u>	<u>(128,398)</u>	<u>-</u>	<u>(2,311,130)</u>
Subtotal	<u>(6,112,084)</u>	<u>(337,313)</u>	<u>-</u>	<u>(6,449,397)</u>

City of Allegan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

Net capital assets being depreciated	<u>9,911,361</u>	<u>(192,480)</u>	<u>-</u>	<u>9,718,881</u>
Total business-type capital assets, net	\$ <u>9,951,946</u>	\$ <u>(192,480)</u>	\$ <u>-</u>	\$ <u>9,759,466</u>

Depreciation expense was charged to functions as follows:

<i>Governmental activities:</i>		
General government		\$ 29,879
Public safety		89,468
Public works		121,529
Recreation and cultural		93,479
Depreciation on capital assets held by internal service funds		<u>85,513</u>
Total governmental activities		<u>\$419,868</u>
<i>Business-type activities:</i>		
Sewer		\$208,915
Water		<u>128,398</u>
Total business-type activities		<u>\$337,313</u>

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

At June 30, 2004, the composition of interfund balances is as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
General	\$ 65,506	Capital Asset Sinking	\$ <u>131,012</u>
Capital Asset Reserve	<u>65,506</u>		
	<u>131,012</u>		
Cemetery Perpetual Care	<u>57,840</u>	General	<u>57,840</u>
Sewer	<u>204,312</u>	General	162,753
		Equipment	<u>41,559</u>
			<u>204,312</u>
Total	<u>\$393,164</u>	Total	<u>\$393,164</u>

The amount payable by the Capital Asset Sinking Fund represents distributions of the fund's realized investment earnings for the fiscal year ended June 30, 2004. The distributions are made pursuant to a trust agreement.

City of Allegan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (*Continued*):

The amount payable by the General Fund to the Cemetery Perpetual Care Fund represents a loan to finance the cost of improvements to the City cemetery in prior years; \$50,610 of the balance is not scheduled to be collected in the subsequent year.

The amounts payable to the Sewer Fund represent short-term borrowing through the pooled checking account. The amounts will be repaid when investments of the General and Equipment funds mature.

A summary of interfund transfers for the year ended June 30, 2004, is as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Fund</u>	<u>Transfer Out</u>
General	<u>\$312,642</u>	Capital Asset Sinking	\$265,670
		Other governmental funds	<u>46,972</u>
			<u>312,642</u>
Capital Asset Reserve	<u>65,506</u>	Capital Asset Sinking	<u>65,506</u>
Capital Projects	230,000	General	<u>320,932</u>
Other governmental funds	<u>90,932</u>		
	<u>320,932</u>		
Total	<u>\$699,080</u>	Total	<u>\$699,080</u>

The transfers out of the Capital Asset Sinking Fund represent distributions of the fund's realized investment earnings for the fiscal year ended June 30, 2004. The distributions are made pursuant to a trust agreement.

The transfers out of the General Fund represent unrestricted revenues collected in the General Fund to finance programs accounted for in other funds in accordance with budgetary authorizations.

The Allegan Downtown Development Authority, a component unit, also transferred \$25,000 to the General Fund to assist in the financing of a program accounted for in the General Fund.

City of Allegan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - LONG-TERM LIABILITIES:

At June 30, 2004, long-term liabilities are comprised of the following individual issues:

Primary government:

Governmental activities:

\$1,373,796 1998 Michigan Economic Development Corporation loan - payable in quarterly installments of \$21,920, bearing 0% interest; final payment due December 2012 \$ 560,716

\$3,000,000 1998 General obligation limited tax improvement bonds - payable in annual installments ranging from \$145,000 to \$340,000, plus interest at 4.25% to 4.90%; final payment due November 2012 2,415,000

\$607,000 1999 Installment purchase agreement - payable in annual installments ranging from \$47,280 to \$87,804, plus interest at 4.85%; final payment due August 2010 408,186

\$360,000 2004 USDA airport revenue bonds - payable in annual installments ranging from \$7,000 to \$21,000, plus interest at 4.25%; final payment due July 2033 348,995

\$1,725,000 2004 Capital improvement bonds - payable in annual installments ranging from \$100,000 to \$155,000, plus interest at 2.00% to 5.25%; final payment due May 2019 1,725,000

Accrued employee benefits 140,521

Total governmental activities long-term liabilities \$5,598,418

Business-type activities:

\$850,000 1996 Water supply system revenue bonds - payable in annual installments ranging from \$65,000 to \$90,000, plus interest at 4.90% to 5.90%; final payment due May 2011 \$ 535,000

\$650,000 2001 Water supply system revenue bonds - payable in annual installments ranging from \$35,000 to \$60,000, plus interest at 3.50 to 5.00%; final payment due May 2016 560,000

City of Allegan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - LONG-TERM LIABILITIES (*Continued*):

\$5,175,000 2004 Capital improvement bonds - payable in annual installments of \$155,000 to \$350,000, plus interest at 2.00% to 5.25%; final payment due May 2029 \$5,175,000

Total business-type activities long-term liabilities \$6,270,000

Discretely-presented component unit:

\$300,000 2004 Capital improvement bonds - payable in annual installments ranging from \$15,000 to \$25,000, plus interest at 2.00% to 5.25%; final payment due May 2019 \$300,000

a) *Long-term liability activity for the year ended June 30, 2004, was as follows:*

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
<i>Governmental activities:</i>					
MEDC loan	\$ 656,296	\$ -	\$ (95,580)	\$ 560,716	\$ 87,208
General obligation bonds	2,545,000	-	(130,000)	2,415,000	145,000
Installment purchase	452,909	-	(44,723)	408,186	47,280
USDA revenue bonds	-	360,000	(11,005)	348,995	-
Capital improvement bonds	-	1,725,000	-	1,725,000	100,000
Compensated absences	<u>170,150</u>	<u>173,947</u>	<u>(203,576)</u>	<u>140,521</u>	<u>-</u>
Governmental activities long-term liabilities	<u>\$3,824,355</u>	<u>\$2,258,947</u>	<u>\$ (484,884)</u>	<u>\$5,598,418</u>	<u>\$379,488</u>
<i>Business-type activities:</i>					
1996 Water revenue bonds	600,000	-	(65,000)	535,000	65,000
2001 Water revenue bonds	590,000	-	(30,000)	560,000	35,000
Capital improvement bonds	<u>-</u>	<u>5,175,000</u>	<u>(-)</u>	<u>5,175,000</u>	<u>155,000</u>
Business-type activities long-term liabilities	<u>\$1,190,000</u>	<u>\$5,175,000</u>	<u>\$ (95,000)</u>	<u>\$6,270,000</u>	<u>\$255,000</u>
<i>Discretely-presented component unit:</i>					
Capital improvement bonds	<u>\$ -</u>	<u>\$ 300,000</u>	<u>\$ (-)</u>	<u>\$ 300,000</u>	<u>\$ 15,000</u>

City of Allegan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - LONG-TERM LIABILITIES (*Continued*):

b) At June 30, 2004, debt service requirements, excluding compensated absences, were as follows:

	<u>Governmental activities</u>		<u>Business-type activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
Year ended June 30:				
2005	\$ 379,488	\$ 200,297	\$ 255,000	\$ 269,459
2006	403,781	206,642	235,000	297,685
2007	496,185	191,781	240,000	288,555
2008	518,706	174,423	245,000	279,041
2009	537,349	155,168	255,000	267,941
2010 - 2014	2,143,393	455,450	1,285,000	1,170,258
2015 - 2019	748,000	165,299	955,000	883,081
2020 - 2024	61,000	42,833	1,220,000	611,570
2025 - 2029	77,000	28,259	1,580,000	257,252
2030 - 2034	<u>92,995</u>	<u>9,911</u>	<u>-</u>	<u>-</u>
Totals	<u>\$5,457,897</u>	<u>\$1,630,063</u>	<u>\$6,270,000</u>	<u>\$4,324,842</u>

Conduit Debt Obligation:

The City, through its Hospital Finance Authority, has issued Hospital Revenue and Refunding Bonds to provide financial assistance to a nonprofit hospital for the acquisition and construction of hospital facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely by the nonprofit hospital. Neither the City, the State of Michigan, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. At June 30, 2004, Allegan General Hospital Revenue and Refunding Bonds outstanding aggregated \$8,265,000.

NOTE 8 - DEFINED BENEFIT PENSION PLAN:

Plan description:

The City's defined benefit pension plan provides retirement, disability, and death benefits to plan members and beneficiaries. The City's defined benefit pension plan is affiliated with the Municipal Employees' Retirement System of Michigan (MERS), an agent, multiple-employer, public employee retirement system that acts as a common investment and administrative agent for municipalities in Michigan. Public Act 220 of 1996 of the State of Michigan assigns the authority to establish and amend the benefit provisions to the City of Allegan. The MERS issues a publicly-available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Municipal Employees' Retirement System of Michigan, 447 N. Canal, Lansing, Michigan 48917, or by calling 1-800-767-6377.

City of Allegan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - DEFINED BENEFIT PENSION PLAN (Continued):

Funding policy:

Contribution rates for each participating employer and its covered employees are established and may be amended by each participating unit. The contribution rates are determined based on the benefit structure established by each employer. Covered employees are not required to contribute to the plan. Participating employers are required to contribute amounts necessary to finance the coverage of their employees through periodic contributions at actuarially-determined rates. Administrative costs of the plan are financed through investment earnings

Annual pension cost:

For the year ended June 30, 2004, the City's annual pension cost of \$110,823 for its defined benefit pension plan was equal to the required and actual contributions. The required contribution was determined as part of the December 31, 2001, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included a) 8% investment rate of return, net of administrative expenses, b) projected salary increases of 4.5% per year, and c) no cost of living adjustments. The actuarial value of the plan's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized over a closed period of 32 years as a level percentage of payroll.

Three-year trend information is as follows:

<i><u>Fiscal year ending</u></i>	<i><u>Annual pension cost (APC)</u></i>	<i><u>Percentage of APC contributed</u></i>	<i><u>Net pension obligation</u></i>
06/30/02	\$79,701	100%	\$ -
06/30/03	118,980	100%	-
06/30/04	110,823	100%	-

NOTE 9 - DEFINED CONTRIBUTION PENSION PLAN:

On July 1, 1985, the City adopted a defined contribution pension plan, specifically referred to as the City of Allegan Employees' Money Purchase Plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate after completing one thousand hours of service and attaining the age of eighteen. The Plan requires that the City contribute, on behalf of each covered employee, the greater of 10% of their taxable wage base or \$1,500. The City's contributions for each employee (and interest allocated to the employee's account) are fully vested after five years of continuous service. City contributions for, and interest forfeited by, employees who leave employment before five years of service, are used to reduce the City's current period contribution requirements. The City is not responsible for investment management of plan assets. Michigan state statutes assign the authority to establish and amend benefit provisions to the Allegan City Council.

The City made the required contributions of \$184,522 for the year ended June 30, 2004.

NOTE 10 - OTHER POST-RETIREMENT BENEFITS:

The City provides post-retirement health care benefits to employees and their beneficiaries who retired on or before April 1, 1990, as required by a local ordinance. The retirees are required to make monthly payments to the Insurance Fund to reimburse the City for the full cost of coverage for these benefits. At June 30, 2004, three retirees participate in continuance of coverage. Expenses for post-retirement health care benefits are recognized as retirees' premium costs are incurred. For the year ended June 30, 2004, the City recognized expenses of \$-0-, which was net of \$20,600 of retiree contributions.

NOTE 11 - INTERNAL TRUST ARRANGEMENTS:

a) Capital Asset Improvement Sinking Fund:

In 1967, the City sold its electric utility facilities and placed the disposition proceeds in a trust fund to be used to purchase capital additions, improvements, or betterments, as permissible by law. Net realized investment income is to be distributed as follows:

One fifth (1/5) retained by the fund;

Two fifths (2/5) transferred to General Fund; and

Two fifths (2/5) transferred to another trust fund (Capital Reserve Sinking Fund)

b) Capital Reserve Sinking Fund:

The City established a trust fund to account for certain investment income of the Capital Asset Improvement Sinking Fund (see above). Net assets of this fund shall not exceed \$1,000,000, which may be used to purchase capital additions, improvements, or betterments, as approved by a three fifths (3/5) majority vote of qualified voters of the City. The fund currently has net assets of \$130,749 as of June 30, 2004.

NOTE 12 - ECONOMIC DEPENDENCY:

For the year ended June 30, 2004, the City received approximately 37% of its property tax revenues and 31% of its utility revenues from one industrial property owner.

NOTE 13 - RISK MANAGEMENT:

The City is exposed to various risks of loss related to general liability, property and casualty, workers' compensation, and employee medical claims. The risks of loss arising from general liability up to \$5,000,000, property losses, workers' compensation, and employee medical costs are managed through purchased commercial insurance. For all risks of loss, there have been no significant reductions in insurance coverage from coverage provided in prior years. Also, in the past three years, settlements did not exceed insurance coverage.

City of Allegan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 14 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended June 30, 2004, follows:

Permit revenues	\$ 34,110
Inspection expenses	<u>(95,717)</u>
Deficiency of revenues over expenses	<u>\$(61,607)</u>

NOTE 15 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS:

P.A. 621 of 1978, Section 18(3), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the City's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the City for these budgetary funds were adopted at the functional level.

During the year ended June 30, 2004, the City incurred expenditures which were in excess of the amounts appropriated.

The following schedule sets forth significant budget variations.

<u>Fund</u>	<u>Function</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	Community and economic development	\$65,435	\$ 75,011	\$ 9,576
	Debt service:			
	Principal	43,007	55,728	12,721
	Interest	23,993	33,277	9,284
Library	Recreation and cultural	383,750	386,904	3,154
	Capital outlay	6,700	11,441	4,741
Revolving Loan	General government	750	15,825	15,075

City of Allegan
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 17 - CHANGE IN ACCOUNTING PRINCIPLES:

Effective July 1, 2003, the City implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, along with all related statements and interpretations. In connection with the implementation of this statement, the following adjustments to beginning net assets have been made to reflect the cumulative effect of this accounting change in the governmental funds:

Net assets, as previously reported (General, special revenue, and capital projects funds)	\$ 4,964,327
Capitalization of capital assets, net of accumulated depreciation, not previously reported	6,962,525
Net assets of the internal service funds are included in governmental activities in the statement of net assets	830,854
Recognition of revenue that was earned, but previously deferred as it was not available	153,623
Accrual of compensated absences	(170,150)
Accrual of interest related to long-term debt	(39,800)
Bonds and loans payable, that were previously reported in the General Long-term Debt Account Group	<u>(3,654,205)</u>
Net assets, as restated	<u>\$ 9,047,174</u>

REQUIRED SUPPLEMENTARY INFORMATION

City of Allegan
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended June 30, 2004

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>
REVENUES			
Taxes	\$ 2,302,265	\$ 2,302,265	\$ 2,406,867
Licenses and permits	31,500	31,500	34,110
Federal grants	-	176,000	231,503
State grants	584,400	584,400	563,977
Contributions from local units	30,000	55,000	70,229
Charges for services	51,000	51,000	63,237
Fines and forfeitures	7,000	7,000	37,417
Investment return and rentals	137,960	137,960	140,817
Other	<u>333,010</u>	<u>84,035</u>	<u>109,413</u>
<i>Total revenues</i>	<u>3,477,135</u>	<u>3,429,160</u>	<u>3,657,570</u>
EXPENDITURES			
Legislative	17,615	17,615	12,141
General government	1,231,566	940,661	875,132
Public safety	1,354,540	1,488,116	1,387,189
Public works	107,110	113,110	111,183
Community and economic development	19,000	65,435	75,011
Recreation and cultural	371,095	379,700	360,480
Capital outlay	471,495	949,882	812,908
Debt service:			
Principal	43,007	43,007	55,728
Interest	<u>23,993</u>	<u>23,993</u>	<u>33,277</u>
<i>Total expenditures</i>	<u>3,639,421</u>	<u>4,021,519</u>	<u>3,723,049</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(162,286)</u>	<u>(592,359)</u>	<u>(65,479)</u>
OTHER FINANCING SOURCES (USES)			
Loan proceeds	360,000	360,000	360,000
Transfer in - Component Unit	25,000	25,000	25,000
Transfers in - Other funds	112,000	312,165	312,642
Transfers out - Other funds	<u>(408,430)</u>	<u>(408,430)</u>	<u>(320,932)</u>
<i>Total financing sources (uses)</i>	<u>88,570</u>	<u>288,735</u>	<u>376,710</u>
NET CHANGE IN FUND BALANCES	(73,716)	(303,624)	311,231
FUND BALANCE - BEGINNING OF YEAR	<u>605,688</u>	<u>605,688</u>	<u>605,688</u>
FUND BALANCE - END OF YEAR	<u>\$ 531,972</u>	<u>\$ 302,064</u>	<u>\$ 916,919</u>

City of Allegan
BUDGETARY COMPARISON SCHEDULE - Capital Projects Fund
Year ended June 30, 2004

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>
REVENUES			
Federal grants	\$ 935,350	\$ 935,350	\$ 167,351
State grants	-	-	64,791
Investment return	1,000	1,000	477
Other	-	53,000	8,500
<i>Total revenues</i>	<u>936,350</u>	<u>989,350</u>	<u>241,119</u>
EXPENDITURES			
Public works	1,248,350	1,301,350	186,645
Debt service:			
Principal	217,250	217,250	217,208
Interest	<u>113,920</u>	<u>113,920</u>	<u>113,918</u>
<i>Total expenditures</i>	<u>1,579,520</u>	<u>1,632,520</u>	<u>517,771</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(643,170)</u>	<u>(643,170)</u>	<u>(276,652)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from issuance of bonds	-	1,725,000	1,725,000
Debt issuance costs	-	(25,150)	(25,149)
Transfers in	<u>643,170</u>	<u>643,170</u>	<u>230,000</u>
<i>Total financing sources</i>	<u>643,170</u>	<u>2,343,020</u>	<u>1,929,851</u>
NET CHANGE IN FUND BALANCES	-	1,699,850	1,653,199
FUND BALANCE - BEGINNING OF YEAR	<u>74,784</u>	<u>74,784</u>	<u>74,784</u>
FUND BALANCE - END OF YEAR	<u>\$ 74,784</u>	<u>\$ 1,774,634</u>	<u>\$ 1,727,983</u>

City of Allegan**BUDGETARY COMPARISON SCHEDULE - Capital Asset Improvement Sinking Fund***Year ended June 30, 2004*

	<u><i>Original Budget</i></u>	<u><i>Amended Budget</i></u>	<u><i>Actual</i></u>
REVENUES			
Investment return	\$ 100,000	\$ 100,000	\$ 30,677
OTHER FINANCING USES			
Transfers out	<u>(424,165)</u>	<u>(424,165)</u>	<u>(331,176)</u>
NET CHANGE IN FUND BALANCES	(324,165)	(324,165)	(300,499)
FUND BALANCE - BEGINNING OF YEAR	<u>3,474,523</u>	<u>3,474,523</u>	<u>3,474,523</u>
FUND BALANCE - END OF YEAR	<u>\$ 3,150,358</u>	<u>\$ 3,150,358</u>	<u>\$ 3,174,024</u>

City of Allegan
SCHEDULE OF FUNDING PROGRESS
Employee Retirement System
(Municipal Employees' Retirement System of Michigan)

<i>Actuarial valuation date <u>December 31</u></i>	<i>Actuarial value of assets (a)</i>	<i>Actuarial accrued liability (AAL) entry age (b)</i>	<i>Unfunded AAL (UAAL) (b-a)</i>	<i>Funded ratio (a/b)</i>	<i>Covered payroll (c)</i>	<i>UAAL as a percentage of covered payroll ((b-a)/c)</i>
1997	\$ 479,621	\$1,326,960	\$ 847,339	36%	\$395,965	214%
1998	569,429	1,372,114	802,685	42%	436,484	184%
1999	700,302	1,357,238	656,936	52%	516,070	127%
2000	834,553	1,784,575	950,022	47%	530,507	179%
2001	970,738	2,065,680	1,094,942	47%	547,012	200%
2002	1,077,201	2,354,012	1,276,811	46%	612,731	207%
2003	1,288,152	2,605,583	1,317,431	49%	535,918	246%

SUPPLEMENTARY INFORMATION

City of Allegan
COMBINING BALANCE SHEET - Nonmajor governmental funds
June 30, 2004

	<u>Major Street</u>	<u>Local Street</u>	<u>Wellness Center</u>	<u>Library</u>
ASSETS				
Cash	\$ 114,437	\$ 68,492	\$ 1,384	\$ 38,812
Investments	-	-	-	197,310
Notes receivable	-	-	-	-
Due from other funds	-	-	-	-
Due from other governmental units	<u>50,272</u>	<u>16,322</u>	<u>-</u>	<u>9,721</u>
<i>Total assets</i>	<u>\$ 164,709</u>	<u>\$ 84,814</u>	<u>\$ 1,384</u>	<u>\$ 245,843</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 2,570	\$ 97	\$ 813	\$ 8,509
Accrued expenditures	<u>435</u>	<u>226</u>	<u>90</u>	<u>1,481</u>
<i>Total liabilities</i>	<u>3,005</u>	<u>323</u>	<u>903</u>	<u>9,990</u>
Fund balances:				
Reserved:				
Donor restrictions for Library expenditures	-	-	-	14,055
Long-term receivables	-	-	-	-
Cemetery perpetual care	-	-	-	-
Unreserved:				
Designated	-	-	-	64,063
Undesignated	<u>161,704</u>	<u>84,491</u>	<u>481</u>	<u>157,735</u>
<i>Total fund balances</i>	<u>161,704</u>	<u>84,491</u>	<u>481</u>	<u>235,853</u>
<i>Total liabilities and fund balances</i>	<u>\$ 164,709</u>	<u>\$ 84,814</u>	<u>\$ 1,384</u>	<u>\$ 245,843</u>

<i>Revolving Loan</i>	<i>Economic Development</i>	<i>Theatre</i>	<i>Cemetery Perpetual Care</i>	<i>Auditorium and Library</i>	<i>Capital Reserve Sinking</i>	<i>Total nonmajor governmental funds</i>
\$ 4,542	\$ 22,195	\$ 12,935	\$ 117,226	\$ 20,785	\$ 65,243	\$ 466,051
64,448	-	-	1,105	-	-	262,863
10,435	-	-	-	-	-	10,435
-	-	-	57,840	-	65,506	123,346
-	-	-	-	-	-	76,315
<u>\$ 79,425</u>	<u>\$ 22,195</u>	<u>\$ 12,935</u>	<u>\$ 176,171</u>	<u>\$ 20,785</u>	<u>\$ 130,749</u>	<u>\$ 939,010</u>
\$ -	\$ -	\$ 1,390	\$ -	\$ -	\$ -	\$ 13,379
-	-	492	-	-	-	2,724
-	-	1,882	-	-	-	16,103
-	-	-	-	-	-	14,055
10,435	-	-	-	-	-	10,435
-	-	-	176,171	-	-	176,171
-	-	-	-	-	-	64,063
68,990	22,195	11,053	-	20,785	130,749	658,183
<u>79,425</u>	<u>22,195</u>	<u>11,053</u>	<u>176,171</u>	<u>20,785</u>	<u>130,749</u>	<u>922,907</u>
<u>\$ 79,425</u>	<u>\$ 22,195</u>	<u>\$ 12,935</u>	<u>\$ 176,171</u>	<u>\$ 20,785</u>	<u>\$ 130,749</u>	<u>\$ 939,010</u>

City of Allegan**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - Nonmajor governmental funds**

Year ended June 30, 2004

	<u>Major Street</u>	<u>Local Street</u>	<u>Wellness Center</u>	<u>Library</u>
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ 199,783
State grants	267,193	96,745	-	16,832
Contributions from local units	23,300	67,700	-	36,700
Charges for services	33,888	-	-	-
Fines and forfeitures	-	-	-	115,363
Investment return and rentals	-	-	4,950	(272)
Other	<u>3,108</u>	<u>2,256</u>	<u>95,540</u>	<u>48,041</u>
<i>Total revenues</i>	<u>327,489</u>	<u>166,701</u>	<u>100,490</u>	<u>416,447</u>
EXPENDITURES				
General government	-	-	-	-
Public works	273,160	130,496	-	-
Recreation and cultural	-	-	126,922	386,904
Capital outlay	<u>-</u>	<u>-</u>	<u>10,552</u>	<u>11,441</u>
<i>Total expenditures</i>	<u>273,160</u>	<u>130,496</u>	<u>137,474</u>	<u>398,345</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>54,329</u>	<u>36,205</u>	<u>(36,984)</u>	<u>18,102</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	30,932	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>30,932</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	54,329	36,205	(6,052)	18,102
FUND BALANCE - BEGINNING OF YEAR	<u>107,375</u>	<u>48,286</u>	<u>6,533</u>	<u>217,751</u>
FUND BALANCE - END OF YEAR	<u>\$ 161,704</u>	<u>\$ 84,491</u>	<u>\$ 481</u>	<u>\$ 235,853</u>

<i>Revolving Loan</i>	<i>Economic Development</i>	<i>Theatre</i>	<i>Cemetery Perpetual Care</i>	<i>Auditorium and Library</i>	<i>Capital Reserve Sinking</i>	<i>Total nonmajor governmental funds</i>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 199,783
-	-	-	-	-	-	380,770
-	-	-	-	-	-	127,700
-	-	105,317	-	-	-	139,205
-	-	-	-	-	-	115,363
521	(212)	3,951	122	272	449	9,781
-	-	4,528	4,479	-	-	157,952
<u>521</u>	<u>(212)</u>	<u>113,796</u>	<u>4,601</u>	<u>272</u>	<u>449</u>	<u>1,130,554</u>
15,825	-	-	1,546	-	-	17,371
-	4,372	-	-	-	-	408,028
-	-	165,164	-	-	-	678,990
-	-	63	-	-	-	22,056
<u>15,825</u>	<u>4,372</u>	<u>165,227</u>	<u>1,546</u>	<u>-</u>	<u>-</u>	<u>1,126,445</u>
<u>(15,304)</u>	<u>(4,584)</u>	<u>(51,431)</u>	<u>3,055</u>	<u>272</u>	<u>449</u>	<u>4,109</u>
-	-	60,000	-	-	65,506	156,438
-	-	-	(46,972)	-	-	(46,972)
-	-	60,000	(46,972)	-	65,506	109,466
(15,304)	(4,584)	8,569	(43,917)	272	65,955	113,575
<u>94,729</u>	<u>26,779</u>	<u>2,484</u>	<u>220,088</u>	<u>20,513</u>	<u>64,794</u>	<u>809,332</u>
<u>\$ 79,425</u>	<u>\$ 22,195</u>	<u>\$ 11,053</u>	<u>\$ 176,171</u>	<u>\$ 20,785</u>	<u>\$ 130,749</u>	<u>\$ 922,907</u>

City of Allegan
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL -General Fund
Year ended June 30, 2004

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES			
Property taxes	\$ 2,302,265	\$ 2,406,867	\$ 104,602
Licenses and permits	31,500	34,110	2,610
Federal grants	176,000	231,503	55,503
State grants	584,400	563,977	(20,423)
Contributions from local units	55,000	70,229	15,229
Charges for services	51,000	63,237	12,237
Fines and forfeitures	7,000	37,417	30,417
Investment return and rentals	137,960	140,817	2,857
Other	84,035	109,413	25,378
<i>Total revenues</i>	<u>3,429,160</u>	<u>3,657,570</u>	<u>228,410</u>
EXPENDITURES			
Legislative - City Council	<u>17,615</u>	<u>12,141</u>	<u>5,474</u>
General government:			
Executive	121,750	88,351	33,399
Elections	10,250	1,128	9,122
Assessor	78,980	79,483	(503)
Legal fees	85,000	103,290	(18,290)
Treasurer/finance director	152,735	142,474	10,261
City hall	65,845	67,453	(1,608)
Building and grounds	338,182	327,248	10,934
Cemetery	75,969	59,840	16,129
Other administration	11,950	5,865	6,085
<i>Total general government</i>	<u>940,661</u>	<u>875,132</u>	<u>65,529</u>
Public safety:			
Police department	1,162,643	1,077,450	85,193
Fire department	210,733	214,022	(3,289)
Inspections department	114,740	95,717	19,023
<i>Total public safety</i>	<u>1,488,116</u>	<u>1,387,189</u>	<u>100,927</u>

City of Allegan**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND****BALANCE - BUDGET AND ACTUAL -General Fund (Continued)**

Year ended June 30, 2004

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)			
Public works:			
Street lighting	\$ 66,000	\$ 63,810	\$ 2,190
Airport	47,110	47,373	(263)
<i>Total public works</i>	<u>113,110</u>	<u>111,183</u>	<u>1,927</u>
Community and economic development	<u>65,435</u>	<u>75,011</u>	<u>(9,576)</u>
Recreation and cultural:			
Griswold Auditorium	190,945	176,924	14,021
Parks and recreation	184,400	181,973	2,427
History Commission	4,355	1,583	2,772
<i>Total recreation and cultural</i>	<u>379,700</u>	<u>360,480</u>	<u>19,220</u>
Capital outlay	<u>949,882</u>	<u>812,908</u>	<u>136,974</u>
Debt service - Principal	<u>43,007</u>	<u>55,728</u>	<u>(12,721)</u>
Debt service - Interest	<u>23,993</u>	<u>33,277</u>	<u>(9,284)</u>
<i>Total expenditures</i>	<u>4,021,519</u>	<u>3,723,049</u>	<u>298,470</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(592,359)</u>	<u>(65,479)</u>	<u>526,880</u>
OTHER FINANCING SOURCES (USES)			
Loan proceeds	360,000	360,000	-
Transfer in - Component Unit	25,000	25,000	-
Transfers in - Other funds	312,165	312,642	477
Transfers out - Other funds	(408,430)	(320,932)	87,498
<i>Total other financing sources</i>	<u>288,735</u>	<u>376,710</u>	<u>87,975</u>
NET CHANGE IN FUND BALANCES	<u>(303,624)</u>	<u>311,231</u>	<u>614,855</u>
FUND BALANCE - BEGINNING OF YEAR	<u>605,688</u>	<u>605,688</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 302,064</u>	<u>\$ 916,919</u>	<u>\$ 614,855</u>

City of Allegan**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - Major Street Fund***Year ended June 30, 2004*

	<u><i>Budget</i></u>	<u><i>Actual</i></u>	<u><i>Variance favorable (unfavorable)</i></u>
REVENUES			
State grants	\$ 239,000	\$ 267,193	\$ 28,193
Contribution from local unit	23,300	23,300	-
Charges for services	49,100	33,888	(15,212)
Investment return	200	-	(200)
Other	<u>-</u>	<u>3,108</u>	<u>3,108</u>
<i>Total revenues</i>	<u>311,600</u>	<u>327,489</u>	<u>15,889</u>
EXPENDITURES			
Public works:			
Roads and streets	194,920	184,241	10,679
Bridge maintenance	2,650	1,648	1,002
Traffic service	21,300	16,869	4,431
Winter maintenance	60,950	49,855	11,095
Surface maintenance	41,500	17,125	24,375
Traffic signals	<u>4,000</u>	<u>3,422</u>	<u>578</u>
<i>Total expenditures</i>	<u>325,320</u>	<u>273,160</u>	<u>52,160</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(13,720)	54,329	68,049
FUND BALANCE - BEGINNING OF YEAR	<u>107,375</u>	<u>107,375</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 93,655</u>	<u>\$ 161,704</u>	<u>\$ 68,049</u>

City of Allegan**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - Local Street Fund***Year ended June 30, 2004*

	<u><i>Budget</i></u>	<u><i>Actual</i></u>	<u><i>Variance favorable (unfavorable)</i></u>
REVENUES			
State grants	\$ 93,000	\$ 96,745	\$ 3,745
Contribution from local unit	67,700	67,700	-
Other	<u>3,000</u>	<u>2,256</u>	<u>(744)</u>
<i>Total revenues</i>	<u>163,700</u>	<u>166,701</u>	<u>3,001</u>
EXPENDITURES			
Public works:			
Roads and streets	136,650	106,046	30,604
Traffic services	4,600	1,450	3,150
Winter maintenance	<u>23,950</u>	<u>23,000</u>	<u>950</u>
<i>Total expenditures</i>	<u>165,200</u>	<u>130,496</u>	<u>34,704</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,500)	36,205	37,705
FUND BALANCE - BEGINNING OF YEAR	<u>48,286</u>	<u>48,286</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 46,786</u>	<u>\$ 84,491</u>	<u>\$ 37,705</u>

*City of Allegan***STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - Wellness Center Fund***Year ended June 30, 2004*

	<u><i>Budget</i></u>	<u><i>Actual</i></u>	<u><i>Variance favorable (unfavorable)</i></u>
REVENUES			
Investment return	\$ 4,949	\$ 4,950	\$ 1
Other	<u>84,300</u>	<u>95,540</u>	<u>11,240</u>
<i>Total revenues</i>	<u>89,249</u>	<u>100,490</u>	<u>11,241</u>
EXPENDITURES			
Recreation and cultural	130,260	126,922	3,338
Capital outlay	<u>21,400</u>	<u>10,552</u>	<u>10,848</u>
<i>Total expenditures</i>	<u>151,660</u>	<u>137,474</u>	<u>14,186</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(62,411)	(36,984)	25,427
OTHER FINANCING SOURCES			
Transfer in - General Fund	<u>35,000</u>	<u>30,932</u>	<u>(4,068)</u>
DEFICIENCY OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	(27,411)	(6,052)	21,359
FUND BALANCE - BEGINNING OF YEAR	<u>6,533</u>	<u>6,533</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ (20,878)</u>	<u>\$ 481</u>	<u>\$ 21,359</u>

City of Allegan**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - Library Fund***Year ended June 30, 2004*

	<u><i>Budget</i></u>	<u><i>Actual</i></u>	<u><i>Variance favorable (unfavorable)</i></u>
REVENUES			
Property taxes	\$ 187,500	\$ 199,783	\$ 12,283
State grants	13,600	16,832	3,232
Contributions from local units	32,700	36,700	4,000
Fines and forfeitures:			
Penal fines	105,000	103,196	(1,804)
Other	10,200	12,167	1,967
Investment return	2,000	(272)	(2,272)
Other	<u>34,500</u>	<u>48,041</u>	<u>13,541</u>
<i>Total revenues</i>	<u>385,500</u>	<u>416,447</u>	<u>30,947</u>
EXPENDITURES			
Recreation and cultural	383,750	386,904	(3,154)
Capital outlay	<u>6,700</u>	<u>11,441</u>	<u>(4,741)</u>
<i>Total expenditures</i>	<u>390,450</u>	<u>398,345</u>	<u>(7,895)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,950)	18,102	23,052
FUND BALANCE - BEGINNING OF YEAR	<u>217,751</u>	<u>217,751</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 212,801</u>	<u>\$ 235,853</u>	<u>\$ 23,052</u>

*City of Allegan***STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - *Revolving Loan Fund****Year ended June 30, 2004*

	<u><i>Budget</i></u>	<u><i>Actual</i></u>	<u><i>Variance favorable (unfavorable)</i></u>
REVENUES			
Investment return	\$ 10,200	\$ 521	\$ (9,679)
EXPENDITURES			
General government	<u>750</u>	<u>15,825</u>	<u>(15,075)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	9,450	(15,304)	(24,754)
OTHER FINANCING USES			
Transfer out - Capital Projects Fund	<u>(45,000)</u>	<u>-</u>	<u>45,000</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES AND OTHER USES	(35,550)	(15,304)	20,246
FUND BALANCE - BEGINNING OF YEAR	<u>94,729</u>	<u>94,729</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 59,179</u>	<u>\$ 79,425</u>	<u>\$ 20,246</u>

City of Allegan

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - *Economic Development Fund***

Year ended June 30, 2004

	<u><i>Budget</i></u>	<u><i>Actual</i></u>	<u><i>Variance favorable (unfavorable)</i></u>
REVENUES			
Investment return	\$ 300	\$ (212)	\$ (512)
EXPENDITURES			
Public works	<u>25,470</u>	<u>4,372</u>	<u>21,098</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(25,170)	(4,584)	20,586
FUND BALANCE - BEGINNING OF YEAR	<u>26,779</u>	<u>26,779</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,609</u>	<u>\$ 22,195</u>	<u>\$ 20,586</u>

City of Allegan

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - Theatre Fund**

Year ended June 30, 2004

	<u><i>Budget</i></u>	<u><i>Actual</i></u>	<u><i>Variance favorable (unfavorable)</i></u>
REVENUES			
Charges for services	\$ 91,520	\$ 105,317	\$ 13,797
Building rentals	3,000	3,951	951
Other	<u>28,250</u>	<u>4,528</u>	<u>(23,722)</u>
<i>Total revenues</i>	<u>122,770</u>	<u>113,796</u>	<u>(8,974)</u>
EXPENDITURES			
Recreation and cultural	164,070	165,164	(1,094)
Capital outlay	<u>7,000</u>	<u>63</u>	<u>6,937</u>
<i>Total expenditures</i>	<u>171,070</u>	<u>165,227</u>	<u>5,843</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	(48,300)	(51,431)	(3,131)
OTHER FINANCING SOURCES			
Transfer in - General Fund	<u>23,000</u>	<u>60,000</u>	<u>37,000</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	(25,300)	8,569	33,869
FUND BALANCE - BEGINNING OF YEAR	<u>2,484</u>	<u>2,484</u>	<u>-</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ (22,816)</u>	<u>\$ 11,053</u>	<u>\$ 33,869</u>

*City of Allegan***STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - Cemetery Perpetual Care Fund***Year ended June 30, 2004*

	<u><i>Budget</i></u>	<u><i>Actual</i></u>	<u><i>Variance favorable (unfavorable)</i></u>
REVENUES			
Investment return	\$ 100	\$ 122	\$ 22
Contributions	<u>4,000</u>	<u>4,479</u>	<u>479</u>
<i>Total revenues</i>	4,100	4,601	501
EXPENDITURES			
General government	<u>2,000</u>	<u>1,546</u>	<u>454</u>
EXCESS OF REVENUES OVER EXPENDITURES	2,100	3,055	955
OTHER FINANCING USES			
Transfer out - General Fund	<u>(47,000)</u>	<u>(46,972)</u>	<u>28</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES AND OTHER USES	(44,900)	(43,917)	983
FUND BALANCE - BEGINNING OF YEAR	<u>220,088</u>	<u>220,088</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 175,188</u>	<u>\$ 176,171</u>	<u>\$ 983</u>

City of Allegan

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - Auditorium and Library Fund**

Year ended June 30, 2004

	<u><i>Budget</i></u>	<u><i>Actual</i></u>	<u><i>Variance favorable (unfavorable)</i></u>
REVENUES			
Investment return	<u>\$ -</u>	<u>\$ 272</u>	<u>\$ 272</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u> -</u>	<u> 272</u>	<u> 272</u>
FUND BALANCE - BEGINNING OF YEAR	<u> 20,513</u>	<u> 20,513</u>	<u> -</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 20,513</u></u>	<u><u>\$ 20,785</u></u>	<u><u>\$ 272</u></u>

City of Allegan

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - *Capital Reserve Sinking Fund***

Year ended June 30, 2004

	<u><i>Budget</i></u>	<u><i>Actual</i></u>	<u><i>Variance favorable (unfavorable)</i></u>
REVENUES			
Investment return	\$ 400	\$ 449	\$ 49
OTHER FINANCING SOURCES			
Transfer in - Capital Asset Improvement Fund	<u>112,000</u>	<u>65,506</u>	<u>(46,494)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	112,400	65,955	(46,445)
FUND BALANCE - BEGINNING OF YEAR	<u>64,794</u>	<u>64,794</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 177,194</u>	<u>\$ 130,749</u>	<u>\$ (46,445)</u>

City of Allegan
COMBINING STATEMENT OF NET ASSETS - Internal service funds
June 30, 2004

	<u>Motor Vehicle and Equipment</u>	<u>Insurance</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash	\$ -	\$ 6,962	\$ 6,962
Investments	207,605	-	207,605
Prepays	-	41,199	41,199
	<u>207,605</u>	<u>48,161</u>	<u>255,766</u>
<i>Total current assets</i>			
	<u>207,605</u>	<u>48,161</u>	<u>255,766</u>
Noncurrent assets:			
<i>Capital assets:</i>			
Land and land improvements	14,376	-	14,376
Buildings	342,276	-	342,276
Machinery and equipment	542,468	-	542,468
Vehicles	719,750	-	719,750
	<u>1,618,870</u>	<u>-</u>	<u>1,618,870</u>
Less accumulated depreciation	960,302	-	960,302
	<u>960,302</u>	<u>-</u>	<u>960,302</u>
<i>Total capital assets (net of accumulated depreciation)</i>			
	<u>658,568</u>	<u>-</u>	<u>658,568</u>
<i>Total assets</i>			
	<u>866,173</u>	<u>48,161</u>	<u>914,334</u>
LIABILITIES			
Current liabilities:			
Accounts payable	195	-	195
Accrued expenses	4,902	-	4,902
Due to other funds	25,422	-	25,422
	<u>30,519</u>	<u>-</u>	<u>30,519</u>
<i>Total current liabilities</i>			
	<u>30,519</u>	<u>-</u>	<u>30,519</u>
NET ASSETS			
Invested in capital assets	658,568	-	658,568
Unrestricted	177,086	48,161	225,247
	<u>177,086</u>	<u>48,161</u>	<u>225,247</u>
<i>Total net assets</i>			
	<u>\$ 835,654</u>	<u>\$ 48,161</u>	<u>\$ 883,815</u>

City of Allegan
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS - *Internal service funds*
Year ended June 30, 2004

	<u>Motor Vehicle and Equipment</u>	<u>Insurance</u>	<u>Totals</u>
OPERATING REVENUES			
Charges for services	\$ 264,600	\$ 782,687	\$ 1,047,287
OPERATING EXPENSES			
Costs of services	166,057	153,301	319,358
Fringe benefits	-	585,316	585,316
Depreciation	85,513	-	85,513
<i>Total operating expenses</i>	<u>251,570</u>	<u>738,617</u>	<u>990,187</u>
OPERATING INCOME	<u>13,030</u>	<u>44,070</u>	<u>57,100</u>
NONOPERATING REVENUES (EXPENSES)			
Loss on sale of fixed assets	(4,354)	-	(4,354)
Interest revenue	-	215	215
<i>Total nonoperating revenues (expenses)</i>	<u>(4,354)</u>	<u>215</u>	<u>(4,139)</u>
CHANGE IN NET ASSETS	8,676	44,285	52,961
TOTAL NET ASSETS - BEGINNING OF YEAR	<u>826,978</u>	<u>3,876</u>	<u>830,854</u>
TOTAL NET ASSETS - END OF YEAR	<u>\$ 835,654</u>	<u>\$ 48,161</u>	<u>\$ 883,815</u>

COMBINING STATEMENT OF CASH FLOWS - Internal service funds

Year ended June 30, 2004

	<i>Motor Vehicle and Equipment</i>	<i>Insurance</i>	<i>Totals</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from interfund services provided	\$ 264,600	\$ 782,687	\$ 1,047,287
Payments to suppliers	(121,740)	(779,816)	(901,556)
Payments to employees	(42,512)	-	(42,512)
<i>Net cash provided by operating activities</i>	<u>100,348</u>	<u>2,871</u>	<u>103,219</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Increase in due to other funds	<u>25,422</u>	<u>-</u>	<u>25,422</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from sale of capital assets	5,460	-	5,460
Acquisition of capital assets	(108,284)	-	(108,284)
<i>Net cash used in capital and related financing activities</i>	<u>(102,824)</u>	<u>-</u>	<u>(102,824)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(207,605)	-	(207,605)
Interest received	-	215	215
<i>Net cash provided by (used in) investing activities</i>	<u>(207,605)</u>	<u>215</u>	<u>(207,390)</u>
NET INCREASE (DECREASE) IN CASH	(184,659)	3,086	(181,573)
BALANCES - BEGINNING OF THE YEAR	<u>184,659</u>	<u>3,876</u>	<u>188,535</u>
BALANCES - END OF YEAR	<u>\$ -</u>	<u>\$ 6,962</u>	<u>\$ 6,962</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 13,030	\$ 44,070	\$ 57,100
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	85,513	-	85,513
Increase in prepaids	-	(41,199)	(41,199)
Increase (decrease) in:			
Accounts payable	(148)	-	(148)
Accrued expenses	1,953	-	1,953
<i>Net cash provided by operating activities</i>	<u>\$ 100,348</u>	<u>\$ 2,871</u>	<u>\$ 103,219</u>

SUPPLEMENTARY DATA

City of Allegan

SCHEDULE OF LOAN RETIREMENT -

\$1,373,796 1998 MICHIGAN ECONOMIC DEVELOPMENT CORPORATION LOAN

June 30, 2004

<i><u>Fiscal period</u></i>	<i><u>Principal</u></i>
2005	\$ 87,208
2006	87,208
2007	87,208
2008	87,208
2009	87,208
2010	87,208
2011	<u>37,468</u>
	<u><u>\$ 560,716</u></u>

City of Allegan

**SCHEDULE OF BOND RETIREMENT AND ANNUAL INTEREST REQUIREMENTS -
\$3,000,000 1998 GENERAL OBLIGATION TAX IMPROVEMENT BONDS**

June 30, 2004

<i>Fiscal period</i>	<i>Interest requirements</i>		<i>Maturity date</i>	<i>Principal</i>	<i>Total requirements</i>
	<i>November 1</i>	<i>May 1</i>			
2005	\$ 55,578	\$ 52,423	11/01/04	\$ 145,000	\$ 253,001
2006	52,423	48,685	11/01/05	170,000	271,108
2007	48,685	42,963	11/01/06	260,000	351,648
2008	42,963	36,846	11/01/07	275,000	354,809
2009	36,846	30,431	11/01/08	285,000	352,277
2010	30,431	23,532	11/01/09	300,000	353,963
2011	23,532	16,130	11/01/10	315,000	354,662
2012	16,130	8,330	11/01/11	325,000	349,460
2013	8,330	-	11/01/12	340,000	348,330
	<u>\$ 314,918</u>	<u>\$ 259,340</u>		<u>\$ 2,415,000</u>	<u>\$ 2,989,258</u>

City of Allegan

**SCHEDULE OF NOTE RETIREMENT AND ANNUAL INTEREST REQUIREMENTS -
\$607,000 1998 INSTALLMENT PURCHASE AGREEMENT NOTE PAYABLE**

June 30, 2004

<i>Fiscal period</i>	<i>Interest requirements August 1</i>	<i>Maturity date</i>	<i>Principal</i>	<i>Total requirements</i>
2005	\$ 19,720	08/01/04	\$ 47,280	\$ 67,000
2006	17,427	08/01/05	49,573	67,000
2007	15,023	08/01/06	51,977	67,000
2008	12,502	08/01/07	54,498	67,000
2009	9,859	08/01/08	57,141	67,000
2010	7,087	08/01/09	59,913	67,000
2011	2,893	08/01/10	87,804	90,697
	<u>\$ 84,511</u>		<u>\$ 408,186</u>	<u>\$ 492,697</u>

City of Allegan

**SCHEDULE OF BOND RETIREMENT AND ANNUAL INTEREST REQUIREMENTS -
\$850,000 1996 WATER REVENUE BONDS**

June 30, 2004

<i>Fiscal period</i>	<i>Interest requirements</i>		<i>Maturity date</i>	<i>Principal</i>	<i>Total requirements</i>
	<i>November 1</i>	<i>May 1</i>			
2005	\$ 14,997	\$ 14,997	05/01/05	\$ 65,000	\$ 94,994
2006	13,307	13,307	05/01/06	70,000	96,614
2007	11,417	11,417	05/01/07	75,000	97,834
2008	9,355	9,355	05/01/08	75,000	93,710
2009	7,255	7,255	05/01/09	80,000	94,510
2010	4,975	4,975	05/01/10	80,000	89,950
2011	2,655	2,655	05/01/11	90,000	95,310
	<u>\$ 63,961</u>	<u>\$ 63,961</u>		<u>\$ 535,000</u>	<u>\$ 662,922</u>

City of Allegan**SCHEDULE OF BOND RETIREMENT AND ANNUAL INTEREST REQUIREMENTS -
\$650,000 2001 WATER REVENUE BONDS**

June 30, 2004

<i>Fiscal period</i>	<i>Interest requirements</i>		<i>Maturity date</i>	<i>Principal</i>	<i>Total requirements</i>
	<i>November 1</i>	<i>May 1</i>			
2005	\$ 12,899	\$ 12,899	05/01/05	\$ 35,000	\$ 60,798
2006	12,216	12,216	05/01/06	40,000	64,432
2007	11,416	11,416	05/01/07	40,000	62,832
2008	10,596	10,596	05/01/08	40,000	61,192
2009	9,746	9,746	05/01/09	45,000	64,492
2010	8,756	8,756	05/01/10	45,000	62,512
2011	7,733	7,733	05/01/11	45,000	60,466
2012	6,675	6,675	05/01/12	50,000	63,350
2013	5,475	5,475	05/01/13	50,000	60,950
2014	4,250	4,250	05/01/14	55,000	63,500
2015	2,875	2,875	05/01/15	55,000	60,750
2016	1,500	1,500	05/01/16	60,000	63,000
	<u>\$ 94,137</u>	<u>\$ 94,137</u>		<u>\$ 560,000</u>	<u>\$ 748,274</u>

City of Allegan

**SCHEDULE OF BOND RETIREMENT AND ANNUAL INTEREST REQUIREMENTS -
\$360,000 2004 USDA BONDS**

June 30, 2004

<i>Fiscal period</i>	<i>Interest requirements</i>		<i>Maturity date</i>	<i>Principal</i>	<i>Total requirements</i>
	<i>July 1</i>	<i>January 1</i>			
2005	\$ -	\$ 8,046		\$ -	\$ 8,046
2006	7,355	7,327	07/01/05	7,000	21,682
2007	7,208	7,177	07/01/06	7,000	21,385
2008	7,060	7,027	07/01/07	7,000	21,087
2009	6,951	6,856	07/01/08	8,000	21,807
2010	6,744	6,684	07/01/09	8,000	21,428
2011	6,575	6,513	07/01/10	8,000	21,088
2012	6,407	6,342	07/01/11	8,000	20,749
2013	6,273	6,170	07/01/12	8,000	20,443
2014	6,070	5,977	07/01/13	9,000	21,047
2015	5,880	5,785	07/01/14	9,000	20,665
2016	5,690	5,592	07/01/15	9,000	20,282
2017	5,531	5,377	07/01/16	10,000	20,908
2018	5,290	5,163	07/01/17	10,000	20,453
2019	5,079	4,949	07/01/18	10,000	20,028
2020	4,868	4,713	07/01/19	11,000	20,581
2021	4,662	4,456	07/01/20	12,000	21,118
2022	4,384	4,199	07/01/21	12,000	20,583
2023	4,131	3,921	07/01/22	13,000	21,052
2024	3,857	3,642	07/01/23	13,000	20,499
2025	3,602	3,342	07/01/24	14,000	20,944
2026	3,288	3,021	07/01/25	15,000	21,309
2027	2,972	2,699	07/01/26	15,000	20,671
2028	2,655	2,357	07/01/27	16,000	21,012
2029	2,331	1,992	07/01/28	17,000	21,323
2030	1,960	1,607	07/01/29	18,000	21,567
2031	1,581	1,221	07/01/30	18,000	20,802
2032	1,201	814	07/01/31	19,000	21,015
2033	805	364	07/01/32	21,000	22,169
2034	358	-	07/01/33	16,995	17,353
	<u>\$ 130,768</u>	<u>\$ 133,333</u>		<u>\$ 348,995</u>	<u>\$ 613,096</u>

City of Allegan**SCHEDULE OF BOND RETIREMENT AND ANNUAL INTEREST REQUIREMENTS -
\$7,200,000 2004 CAPITAL IMPROVEMENT BONDS**

June 30, 2004

<i>Fiscal period</i>	<i>Interest requirements</i>		<i>Maturity date</i>	<i>Principal</i>	<i>Total requirements</i>
	<i>November 1</i>	<i>May 1</i>			
2005	\$ 120,304	\$ 169,176	05/01/05	\$ 270,000	\$ 559,480
2006	166,476	166,476	05/01/06	230,000	562,952
2007	163,026	163,026	05/01/07	230,000	556,052
2008	159,576	159,576	05/01/08	240,000	559,152
2009	154,776	154,776	05/01/09	245,000	554,552
2010	149,876	149,876	05/01/10	260,000	559,752
2011	144,676	144,676	05/01/11	270,000	559,352
2012	138,601	138,601	05/01/12	280,000	557,202
2013	132,301	132,301	05/01/13	290,000	554,602
2014	125,051	125,051	05/01/14	305,000	555,102
2015	117,426	117,426	05/01/15	325,000	559,852
2016	110,114	110,114	05/01/16	340,000	560,228
2017	102,464	102,464	05/01/17	355,000	559,928
2018	93,145	93,145	05/01/18	370,000	556,290
2019	83,433	83,433	05/01/19	390,000	556,866
2020	73,195	73,195	05/01/20	220,000	366,390
2021	67,475	67,475	05/01/21	230,000	364,950
2022	61,495	61,495	05/01/22	245,000	367,990
2023	55,125	55,125	05/01/23	255,000	365,250
2024	48,495	48,495	05/01/24	270,000	366,990
2025	41,475	41,475	05/01/25	285,000	367,950
2026	33,994	33,994	05/01/26	300,000	367,988
2027	26,119	26,119	05/01/27	315,000	367,238
2028	17,850	17,850	05/01/28	330,000	365,700
2029	9,188	9,188	05/01/29	350,000	368,376
	<u>\$ 2,395,656</u>	<u>\$ 2,444,528</u>		<u>\$ 7,200,000</u>	<u>\$ 12,040,184</u>

**SECURITIES AND EXCHANGE COMMISSION RULE 15C2-12 CONTINUING
DISCLOSURE (*UNAUDITED*)**

Population

	<u>Population</u>	<u>Percent Change</u>
1970 U.S. Census.....	4,516	n/a
1980 U.S. Census.....	4,576	1.32%
1990 U.S. Census.....	4,577	0.02
2000 U.S. Census.....	4,838	5.70

Source: U.S. Department of Commerce - Bureau of Census.

City of Allegan Total Taxable Value Fiscal Years Ended or Ending June 30, 2001 through 2005

<u>Assessed Value as of June 30</u>	<u>Year of State Equalization And Tax Levy</u>	<u>City's Fiscal Year Ended or Ending June 30</u>	<u>Ad Valorem Taxable Value</u>	<u>Equivalent Taxable Value of Property Granted Tax Abatement Under Acts 198 and 255 (1)</u>	<u>Total Taxable Value</u>	<u>% Increase Over Prior Year</u>
1999	2000	2001	\$ 96,008,550	\$20,610,094	\$116,618,644	1.71%
2000	2001	2002	102,620,764	21,242,489	123,863,253	8.03
2001	2002	2003	114,220,256	20,800,679	135,020,935	9.01
2002	2003	2004	122,713,077	21,218,606	143,931,683	6.60
2003	2004	2005	136,392,872	19,106,398	155,499,270	8.04

Per capita Total Taxable Value for the fiscal year ending June 30, 2005 (2).....\$32,141

(1) At the full tax rate. See "Tax Abatement" herein.

(2) Based on the City's 2000 Census population of 4,838.

Source: City of Allegan

City of Allegan Total Taxable Value by Use and Class Fiscal Years Ended or Ending June 30, 2001 through 2005

<u>Use</u>	<u>Fiscal Year Ended or Ending June 30,</u>				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Residential.....	\$ 42,583,228	\$ 45,372,477	\$ 48,287,960	\$ 50,828,951	\$ 53,255,111
Commercial	22,089,223	25,325,526	29,076,643	31,553,955	34,558,414
Industrial	49,927,937	50,845,250	55,152,341	59,159,324	65,231,295
Utility	2,009,400	2,310,900	2,494,600	2,379,922	2,444,700
Agriculture	8,856	9,100	9,391	9,531	9,750
	<u>\$116,618,644</u>	<u>\$123,863,253</u>	<u>\$135,020,935</u>	<u>\$143,931,683</u>	<u>\$155,499,270</u>
<u>Class</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Real Property	\$ 80,246,344	\$ 86,262,503	\$ 93,534,235	\$ 98,723,279	\$105,437,736
Personal Property	<u>36,372,300</u>	<u>37,600,750</u>	<u>41,486,700</u>	<u>45,208,404</u>	<u>50,061,534</u>
	<u>\$116,618,644</u>	<u>\$123,863,253</u>	<u>\$135,020,935</u>	<u>\$143,931,683</u>	<u>\$155,499,270</u>

Source: City of Allegan

City of Allegan
Percent of Total Taxable Value by Use and Class
Fiscal Years Ended or Ending June 30, 2001 through 2005

<u>Use</u>	<u>Fiscal Year Ended or Ending June 30,</u>				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Residential	36.51%	36.63%	35.76%	35.31%	34.25%
Commercial	18.94	20.45	21.53	21.92	22.22
Industrial	42.81	41.05	40.85	41.10	41.95
Utility	1.73	1.86	1.85	1.66	1.57
Agriculture	<u>0.01</u>	<u>0.01</u>	<u>0.01</u>	<u>0.01</u>	<u>0.01</u>
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
<u>Class</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Real Property	68.81%	69.64%	69.27%	68.59%	67.81%
Personal Property	<u>31.19</u>	<u>30.36</u>	<u>30.73</u>	<u>31.41</u>	<u>32.19</u>
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Source: City of Allegan

City of Allegan
Total State Equalized Valuation
Fiscal Years Ending June 30, 2001 through 2005

<u>Assessed</u> <u>Value as of</u> <u>December 31</u>	<u>Year</u> <u>of State</u> <u>Equalization</u> <u>and</u> <u>Tax Levy</u>	<u>City's</u> <u>Fiscal</u> <u>Year Ended</u> <u>or Ending</u> <u>June 30</u>	<u>Ad</u> <u>Valorem</u> <u>SEV</u>	<u>SEV of</u> <u>Property</u> <u>Granted Tax</u> <u>Abatement</u> <u>Under Acts 198</u> <u>and 255 (1)</u>	<u>Total</u> <u>SEV</u>	<u>Percent</u> <u>Increase</u> <u>Over Prior</u> <u>Year</u>
1999	2000	2001	\$112,077,400	\$48,722,800	\$160,800,200	6.64%
2000	2001	2002	118,685,200	45,893,200	164,578,400	9.15
2001	2002	2003	130,944,200	45,449,700	176,393,900	7.18
2002	2003	2004	141,689,300	52,322,496	194,011,796	9.99
2003	2004	2004	155,328,000	44,011,500	199,339,500	2.75

Per capita Total SEV for the fiscal year ending June 30, 2005 (2)\$41,203

(1) See "Tax Abatement", herein.

(2) Based on the City's 2000 Census population of 4,838.

Source: City of Allegan

City of Allegan
Total SEV by Use and Class
Fiscal Years Ended or Ending June 30, 2001 through 2005

	Fiscal Year Ended or Ending June 30,				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<u>Use</u>					
Residential	\$ 56,447,200	\$ 59,503,800	\$ 63,161,700	\$ 65,584,400	\$ 68,162,962
Commercial	23,565,700	26,136,000	29,788,600	32,880,091	35,317,767
Industrial	78,768,800	76,618,600	80,935,000	93,076,196	93,359,900
Utility	2,009,400	2,310,900	2,494,600	2,417,000	2,444,700
Agriculture	9,100	9,100	14,000	54,100	54,100
	<u>\$160,800,200</u>	<u>\$164,578,400</u>	<u>\$176,393,900</u>	<u>\$194,011,787</u>	<u>\$199,339,429</u>
<u>Class</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Real Property	\$118,587,300	\$121,783,500	\$129,665,800	\$141,045,787	\$144,044,529
Personal Property	<u>42,212,900</u>	<u>42,794,900</u>	<u>46,728,100</u>	<u>52,966,000</u>	<u>55,334,900</u>
	<u>\$160,800,200</u>	<u>\$164,578,400</u>	<u>\$176,393,900</u>	<u>\$194,011,787</u>	<u>\$199,339,429</u>

Source: City of Allegan

City of Allegan
Percent of Total SEV by Use and Class
Fiscal Years Ended or Ending June 30, 2001 through 2005

	Fiscal Year Ended or Ending June 30,				
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
<u>Use</u>					
Residential	35.10%	36.16%	35.81%	33.80%	34.19%
Commercial	14.66	15.88	16.89	16.95	17.72
Industrial	48.99	46.55	45.88	47.97	46.83
Utility	1.24	1.40	1.41	1.25	1.23
Agriculture	0.01	0.01	0.01	0.03	0.03
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
<u>Class</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Real Property	73.75%	74.00%	73.51%	72.70%	72.24%
Personal Property	<u>26.25</u>	<u>26.00</u>	<u>26.49</u>	<u>27.30</u>	<u>27.76</u>
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Source: City of Allegan

Tax Abatement

The City's Ad Valorem Taxable Value does not include the value of certain facilities which have temporarily been removed from the Ad Valorem Tax Roll pursuant to Act 198. The Act was designed to provide a stimulus in the form of significant tax incentives to industrial enterprises to renovate and expand aging facilities ("Rehab Properties") and to build new facilities ("New Properties"). Except as indicated below, under the provisions of the Act, a local governmental unit (i.e., a city, village or township) may establish plant rehabilitation districts and industrial development districts and offer industrial firms certain property tax incentives or abatements to encourage restoration or replacement of obsolete facilities and to attract new facilities to the area.

An industrial facilities exemption certificate granted under Act 198 entitles an eligible facility to exemption from Ad Valorem Taxes for a period of up to 12 years. In lieu of Ad Valorem Taxes, the eligible facility will pay an industrial facilities tax (the "IFT Tax"). For properties granted tax abatement under Act 198, there exists a separate tax roll referred to as the industrial facilities tax roll (the "IFT Tax Roll"). The IFT Tax for an obsolete facility, which is being restored or replaced, is determined in exactly the same manner as the Ad Valorem Tax; the important difference being that the value of the property remains at the Taxable Value level prior to the improvements even though the restoration or replacement substantially increases the value of the facility. For a new facility the IFT Tax is also determined the same as the Ad Valorem Tax but instead of using the total mills levied as Ad Valorem Taxes, a lower millage rate is applied. For abatements granted prior to 1994, this millage rate equals 1/2 of all tax rates levied by other than the State and local school district for operating purposes plus 1/2 of the 1993 rate levied by the local school district for operating purposes. For abatements granted after 1993, this millage rate equals 1/2 of all tax rates levied by other than the State and local school district plus none, 1/2 or the entire State tax rate (as determined by the State Treasurer).

The City has established goals, objectives and procedures to provide the opportunity for industrial and commercial development and expansion. Since 1974, the City has approved a number of applications for local property tax relief for industrial firms. The SEV of properties that have been granted tax abatement under Act 198, removed from the Ad Valorem Tax Roll and placed on the IFT Tax Roll totaled \$44,011,500 for the fiscal year ending June 30, 2005. The IFT Taxes paid on these properties is equivalent to Ad Valorem Taxes paid on \$19,106,398 of Taxable Value at the full tax rate (the "Equivalent Taxable Value"). Upon expiration of the industrial facilities exemption certificates the current equalized valuation of the abated properties will return to the Ad Valorem Tax Roll as Taxable Value.

City of Allegan Maximum Property Tax Rates Fiscal Year Ending June 30, 2005

<u>Millage Classification</u>	<u>Millage Authorized</u>	<u>Millage Rate As Permanently Reduced by Headlee</u>	<u>Current Year Millage Reduction Fraction</u>	<u>Maximum Allowable Millage</u>
Operating	17.5000	16.6114	0.9926	16.4884
Library	1.0000	0.9491	0.9926	0.9421
Library (voted)	0.5000	0.4976	0.9926	0.4939

City of Allegan Property Tax Rates (1) Fiscal Years Ended June 30, 2001 through 2005

<u>Levy July 1,</u>	<u>Fiscal Year Ended or Ending June 30,</u>	<u>Operating</u>	<u>Library</u>	<u>Totals</u>
2000	2001	\$16.6131	\$1.4469	\$18.0600
2001	2002	16.6131	1.4469	18.0600
2002	2003	16.6114	1.4467	18.0581
2003	2004	16.6114	1.4467	18.0581
2004	2005	16.4884	1.4359	17.9243

Source: City of Allegan

City of Allegan
Homestead (1) Property Tax Rates by Governmental Unit
Fiscal Years Ended June 30, 2000 Through 2004

<u>Governmental Unit</u>	<u>Fiscal Year Ended or Ending June 30,</u>				
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
City of Allegan	\$18.0854	\$18.0600	\$18.0600	\$18.0581	\$18.0581
County of Allegan	6.9406	6.8551	6.7631	6.7583	6.6879
State of Michigan	6.0000	6.0000	6.0000	6.0000	5.0000
Allegan Public Schools (2)	7.0000	7.5500	7.5500	7.5500	7.5500
Allegan Intermediate School District	<u>4.3873</u>	<u>4.3292</u>	<u>4.2770</u>	<u>4.2380</u>	<u>4.1899</u>
Totals	<u>\$42.4133</u>	<u>\$42.7943</u>	<u>\$42.6501</u>	<u>\$42.6044</u>	<u>\$41.4859</u>

City of Allegan
Non-Homestead (1) Property Tax Rates by Governmental Unit
Fiscal Years Ended June 30, 2000 Through 2004

<u>Governmental Unit</u>	<u>Fiscal Year Ended or Ending June 30,</u>				
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
City of Allegan	\$18.0854	\$18.0600	\$18.0600	\$18.0581	\$18.0581
County of Allegan	6.9406	6.8551	6.7631	6.7583	6.6879
State of Michigan	6.0000	6.0000	6.0000	6.0000	5.0000
Allegan Public Schools (2)	24.8740	25.2720	25.0557	24.8718	24.8718
Allegan Intermediate School District	<u>4.3873</u>	<u>4.3292</u>	<u>4.2770</u>	<u>4.2380</u>	<u>4.1899</u>
Totals	<u>\$60.2873</u>	<u>\$60.5163</u>	<u>\$60.1558</u>	<u>\$59.9262</u>	<u>\$58.8077</u>

- (1) *Homestead property* means a dwelling or unit in a multiple-unit dwelling subject to ad valorem property taxes that is owned and occupied as a principal residence by the owner of the dwelling or unit. Homestead includes all unoccupied property classified as agricultural adjacent and contiguous to the home of the owner that is not leased or rented by the owner to another person if the gross receipts of the agricultural or horticultural operations, if any, exceed the household income of the owner. If the gross receipts of the agricultural or horticultural operations do not exceed the household income of the owner, the homestead includes only 5 acres adjacent and contiguous to the home of the owner. Homestead includes a life care facility registered under the living care disclosure act, Act 440 of the Public Acts of Michigan of 1976, as amended. Homestead also includes property owned by a cooperative housing corporation and occupied as a principal residence by tenant stockholders. *Non-homestead property* is property not included in the above definition.

- (2) Includes existing debt levy and extra voted millage.

Source: City of Allegan

City of Allegan
Property Tax Collections
Fiscal Years Ended or Ending June 30, 2001 through 2005

<u>July 1</u>	<u>Fiscal Year</u>	<u>City</u>	<u>Collections</u>	<u>Percent</u>
<u>Levy</u>	<u>Ended or Ending</u>	<u>Tax Levy (1)</u>	<u>to March 1</u>	
	<u>June 30</u>		<u>Following Levy</u>	<u>Collected</u>
2000	2001	\$1,594,979	\$1,515,157	95.00%
2001	2002	1,704,838	1,643,130	99.38
2002	2003	1,897,347	1,814,614	95.64
2003	2004	2,038,425	1,940,010	95.17
2004	2005	2,248,889	In process of collection.	

- (1) Levy does not include library millage or certain taxes on properties granted tax abatement under Act 198. See "Tax Abatement" herein.

Source: City of Allegan

Profile of the Ten Largest Taxpayers

Reflected below are the City's ten largest property taxpayers, their principal product or service and respective Taxable Value for the fiscal year ending June 30, 2005.

City of Allegan Ten Largest Taxpayers Fiscal Year Ending June 30, 2005

<u>Taxpayers</u>	<u>Principal Product or Service</u>	<u>Taxable Value</u>	<u>Equivalent Taxable Value of Property Granted Tax Abatement Under Act 198(1)</u>	<u>Total Taxable Value</u>	<u>Percent of Total (2)</u>
L Perrigo.....	Health & Beauty Aids ..	\$ 40,234,626	\$18,062,654	\$58,297,280	37.49%
Haworth Inc.	Office Systems.....	5,499,627	41,400	5,541,027	3.56
High Point Apartments.....	Apartments	3,604,792	0	3,604,792	2.32
J.H. Packaging.....	Packaging	1,984,900	0	1,984,900	1.28
Data Sales Inc.....	Leasing Company	1,717,200	0	1,717,200	1.10
Consumers Energy	Utility	1,680,931	0	1,680,931	1.08
Charter Communications.....	Cable Utility	1,249,300	0	1,249,300	0.80
Village Market	Grocery Store	1,119,600	0	1,119,600	0.72
Aquila	Utility	997,000	0	997,000	0.64
Linda Sweet	Restaurant.	957,997	0	957,991	0.62
		<u>\$59,045,973</u>	<u>\$18,104,054</u>	<u>\$77,150,021</u>	<u>49.61%</u>

(1) Includes the Equivalent Taxable Value of property granted tax abatement under Act 198. See "Tax Abatement" herein.

(2) Based on \$155,499,270 which the City's Total Taxable Value for its fiscal year ending June 30, 2005. Includes the equivalent Taxable Value of property granted tax abatement under Act 198. See "Tax Abatements" herein.

Source: City of Allegan

Legal Debt Margin

Pursuant to the statutory and constitutional debt provisions set forth herein, the following table reflects the amount of additional debt the City may legally incur as of September 2, 2004.

Debt Limit (1)	\$19,933,950
Debt Outstanding	\$11,968,676
Less Exempt Debt	<u>1,095,000</u>
Legal Debt Margin	<u>\$ 9,060,274</u>

(1) 10% of \$199,339,500 which is the City's Total SEV for its fiscal year ending June 30, 2005. Includes SEV of property granted tax abatement under Act 198. See "Tax Abatement", herein.

Source: City of Allegan and the Municipal Advisory Council of Michigan

Debt Statement

The following table reflects a breakdown of the City's direct and overlapping debt as of September 2, 2004 including the Bonds described herein. Direct debt that is shown as self-supporting is paid from sources other than the City's General Fund.

The City's ability to levy tax to pay the debt service on the obligations that are designated as "Limited Tax" is subject to applicable charter, statutory and constitutional limitations.

<u>City Direct Debt</u>	<u>Gross</u>	<u>Self-Supporting</u>	<u>Net</u>
General Obligation Issues:			
Dated June 23, 2004 (Limited Tax)	\$ 7,200,000	\$ -0-	\$ 7,200,000
Dated July 29, 2003 (Limited Tax)	353,000	-0-	353,000
Dated June 1998 (Limited Tax)	360,536	-0-	360,536
Dated February 1, 1998 (Limited Tax)	<u>2,415,000</u>	<u>-0-</u>	<u>2,415,000</u>
Subtotal	<u>10,328,536</u>	<u>-0-</u>	<u>10,328,536</u>
Water Revenue Bonds:			
Dated May 1, 2001			
Dated April 1, 1996	560,000	560,000	-0-
Subtotal	<u>535,000</u>	<u>535,000</u>	<u>-0-</u>
MEDC Loan Agreement:			
Dated October 1, 1997 (4)	<u>1,095,000</u>	<u>1,095,000</u>	<u>-0-</u>
Totals	<u>545,140</u>	<u>-0-</u>	<u>545,140</u>
	<u>545,140</u>	<u>-0-</u>	<u>545,140</u>
	<u>\$11,968,676</u>	<u>\$1,095,000</u>	<u>\$10,873,676</u>
Per Capita Net City Direct Debt (1)			\$2,248
Percent of Net Direct Debt to Total SEV (2)			5.45%
<u>Overlapping Debt (3)</u>	<u>Gross</u>	<u>City Share As Percent of Gross</u>	<u>Net</u>
Allegan Public Schools	\$46,445,461	31.80%	\$14,769,657
Allegan Intermediate School District	470,000	5.95	27,965
Allegan County	<u>12,594,880</u>	<u>3.85</u>	<u>484,903</u>
Total Overlapping Debt	<u>\$59,510,341</u>		<u>\$15,282,525</u>
Total Net Direct & Overlapping Debt	<u>\$71,479,017</u>		<u>\$26,156,201</u>
Per Capita Net Overlapping Debt (1)			\$3,159
Percent of Net Overlapping Debt to Total SEV (2)			7.67%
Per Capita Net Direct and Overlapping Debt (1)			\$5,406
Percent of Net Direct and Overlapping Debt to Total SEV (2)			13.12%

(1) Based on the City's 2000 Census population of 4,838.

(2) Based on \$199,339,500, which is the City's Total SEV for the fiscal year ending June 30, 2005. Includes the SEV of property granted tax abatement under Act 198. See "Tax Abatement" herein.

(3) Overlapping debt is the portion of another taxing unit's debt for which property taxpayers of the City are liable in addition to debt issued by the City.

(4) The Michigan Jobs Commission loaned the City \$1,937,479 to finance various infrastructure improvements relating to certain private development in the City. The balance due will be reduced by as much as 50% of the original loan amount in increments of \$10,000 for each job created in connection with the private development. Based on the expected job creation, the City has projected that the additional taxes relating to the private development will be sufficient to pay debt service on the reduced loan amount.

Source: Municipal Advisory Council of Michigan and the City of Allegan

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

City Council
City of Allegan, Michigan

We have audited the accompanying financial statements of the City of Allegan, Michigan, as of and for the year ended June 30, 2004, and have issued our report thereon dated September 28, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether City of Allegan, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Allegan, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Siegfried Crandall P.C.

September 28, 2004